

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

COMBINED INCREASE
Schedule A
6/30/2011

	DW10-091 PRO FORMA TEST YEAR	DW10-091, OCA 3-1		DW10-091, STAFF 3-13		WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	¹ Final Adjustment DW 10-091	Final Rate Order DW 10-091	City Bond Fixed Revenue Requirement (CBFRR)	
		PROPOSED DATA REQUESTS ADJUSTMENTS (2)	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS (2)	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR					CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA REVENUE REQUIREMENT
Consolidated Rate Base	\$ 97,733,490	\$ (433,999)	\$ 97,299,491	\$ 3,307,877	\$ 100,607,368	\$ (4,824,907)	\$ 95,782,461	\$ (3,562,467)	\$ 92,219,994	(43,460,335)	\$ 48,759,659
RATE of Return	7.86%	0.09%	7.95%		7.95%		7.95%	0.03%	7.98%	-1.65%	6.33%
Income Required	\$ 7,677,233	\$ -	\$ 7,733,642		\$ 7,996,562		\$ 7,613,064		\$ 7,362,859		\$ 3,086,486
Adjusted NOI	\$ 5,312,859	\$ (52,593)	\$ 5,260,266	\$ (127,644)	\$ 5,132,622	\$ 323,751	\$ 5,456,373	\$ 166,809	\$ 5,623,182	(\$3,993,839)	\$ 1,629,343
Deficiency	\$ 2,364,374	\$ -	\$ 2,473,376		\$ 2,863,940		\$ 2,156,691		\$ 1,739,677		\$ 1,457,143
Tax Factor	60.39%		60.39%		60.39%		60.39%		60.39%		60.39%
Revenue Deficiency	\$ 3,915,175	\$ -	\$ 4,095,672	\$ 646,736	\$ 4,742,408	\$ (1,171,136)	\$ 3,571,272	\$ (690,535)	\$ 2,880,737		\$ 2,412,888
Water Revenues	\$ 24,116,426	\$ -	\$ 24,116,426	\$ -	\$ 24,116,426		\$ 24,116,426		\$ 24,116,426		\$ 14,883,523
Proposed Revenue Inc	16.23%		16.98%	2.68%	19.66%	-4.86%	14.81%	-2.86%	11.95%		10.01%
Total Revenue	<u>\$ 28,031,601</u>		<u>\$ 28,212,098</u>		<u>\$ 28,858,834</u>		<u>\$ 27,687,698</u>		<u>\$ 26,997,163</u>		\$ 17,296,411
ADD: City Bond Fixed Revenue Requirement (Schedule A, Attachment A)											\$9,232,902
Total City Revenue:											<u>\$ 26,529,314</u>

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

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

Schedule A
Attachment A
Nashua Acquisition
6/30/2011

Pro Forma
Adjustments

Revenue

- 1 To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

Total City Bond	\$157,011,440
Bond Interest Rate	6.50%
Bond Period	30 yrs.

Calculated pro rata for City Bond based on a constant payment and a constant bond rate.

Calculated as follows:

PWW Pro Rata Share	\$129,818,296 (1)
Less: Rate Stabilization Reserve	\$5,000,000
PWW Pro Rata Share (Sch 3,A)	84.98%
Less: PWW Pro Rata Share of Rate Stabilization Reserve	\$4,248,818
Less: City Eminent Domain Cost Recovery	\$5,000,000
Total PWW Pro Rata Share for CBFRR/MARA	\$120,569,478
Bond Interest Rate	6.50%
Bond Period	30 yrs.
	\$9,232,902 (2)

Notes:

(1) Pro Rata Calculation as follows:

PWW Rate Base (DW10-091, Per Final Order)	\$ 92,219,994	82.68%
PEU Rate Base (12/31/2009)	\$ 14,290,910	12.81%
PAC Rate Base (DW10-090), Per Final Order)	\$ 2,013,382	1.81%
Southwood Corp (Book Value 12/31/2009)	\$ 3,013,105	2.70%
	<u>\$ 111,537,391</u>	<u>100.00%</u>

PWW Rate Base (DW10-091, Per Final Order)	82.68%	\$129,818,296
PEU (12/31/2009)	12.81%	\$20,117,347
PAC Rate Base (DW10-090), Per Final Order)	1.81%	\$2,834,242
Southwood Corp (Book Value 12/31/2009)	2.70%	\$4,241,555
Total City Bond	100.00%	<u>\$157,011,440</u>

- (2) Any income taxes on revenues will be offset by deductions for interest expense on City Bonds calculated below and depreciation expense associated with equity related assets per Schedule 1, Attachment A, page 2.

Total Interest Payment on City Bond (year one)	\$10,205,744
PWW Pro Rata Share	82.68%
PWW Pro Rata Interest Benefit	\$8,438,189

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

Schedule 1
Nashua Acquisition
Pro Forma Adjustments
6/30/2011

	DW10-091, OCA 3-1		DW10-091, STAFF 3-13		LESS EMINENT DOMAIN		CBFRR APPROACH W/MARA					
	PRO FORMA 12 MONTHS 12/31/09	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED TEST YEAR & STEP PRO FORMA TEST YEAR	WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INCREASE PRO FORMA TEST YEAR	Final Adjustment DW 10-091	Final Rate Order DW 10-091	CITY OF NASHUA MARA ADJUSTMENT PER BOOKS	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA CBFRR APPROACH REVENUE REQUIREMENT
Water Sales	\$ 24,116,426	\$ -	\$ 24,116,426	\$ -	\$ 24,116,426		\$ 24,116,426		24,116,426		(\$9,232,902)	\$ 14,883,523
Water Sales for Resale	698	-	698	-	698		698		698			698
Other Operating Revenue	365,266	(1,330)	363,936	-	363,936		363,936		363,936			363,936
Total Revenues	24,482,389	(1,330)	24,481,060	-	24,481,060	-	24,481,060		24,481,060		(\$9,232,902)	15,248,157
Production Expenses	3,337,933	(36,485)	3,301,448	55,750	3,357,199		3,357,199		3,357,199			3,357,199
Transmission & Distribution Expenses	1,379,179	(3,214)	1,375,965	-	1,375,965		1,375,965		1,375,965			1,375,965
Engineering Expense	574,394	-	574,394	-	574,394		574,394		574,394			574,394
Customer Acct & Collection Exp	434,974	-	434,974	-	434,974		434,974		434,974			434,974
Administrative & General Expense	6,142,486	(42,904)	6,099,583	-	6,099,583		6,099,583		6,099,583		(1,125,625)	4,973,958
Final Rate Order Adjustments								(166,809)	(166,809)			(166,809)
Inter Div Management Fee	(1,476,315)	7,961	(1,468,354)	-	(1,468,354)		(1,468,354)		(1,468,354)		(134,985)	(1,603,339)
Total Operating Expense	10,392,652	(74,642)	10,318,010	55,750	10,373,760	-	10,373,760	(166,809)	10,206,951	-	(1,260,610)	8,946,342
Dep Exp/Acq Adj Expense	4,070,540	(7,888)	4,062,652	80,768	4,143,420		4,143,420		4,143,420		(1,471,504) ⁽³⁾	2,671,916
Amortization Expense:CIAC	(480,385)	-	(480,385)	-	(480,385)		(480,385)		(480,385)			(480,385)
Amortization Expense: MARA	-	-	-	-	-		-	-	-	787,449	(787,449) ⁽⁴⁾	-
Amortization Expense	495,885	(1,696)	494,189	-	494,189	(536,100)	(41,911)		(41,911)		166,667 ⁽²⁾	124,755
Gain on Disp/Utility Property	-	-	-	-	-		-		-			-
Property Taxes	2,674,109	169,984	2,844,093	74,847	2,918,940		2,918,940		2,918,940			2,918,940
Payroll Taxes	520,118	-	520,118	-	520,118		520,118		520,118		(54,044)	466,074
Income Tax	1,496,612	(34,495)	1,462,117	(83,722)	1,378,395	212,349	1,590,744		1,590,744		(2,619,572) ⁽¹⁾	(1,028,828)
Total Operating Deductions	8,776,879	125,905	8,902,784	71,893	8,974,678	(323,751)	8,650,927	-	8,650,927	787,449	(4,765,902)	4,672,473
Net Operating Income	5,312,859	(52,593)	5,260,266	(127,644)	5,132,622	323,751	5,456,373	166,809	5,623,182	(787,449)	(\$3,206,390)	1,629,343

Notes:

(1) Pro Forma Income Taxes calculated as follows:
Total pro forma reduction in operating expenses
Total Proforma Revenue decrease
Total Proforma NOI before income tax

2,619,491
\$9,232,902
(6,613,411)
39.61% (2,619,572)

*Negative Income Taxes will be offset by taxes on additional revenues from revenue deficiency per Schedule A.

(2) Amortization Expense associated with City Eminent Domain Cost Recovery over 30 years

(3) Eliminate Depreciation Expenses for Equity related assets bought by City

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

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

Schedule 1
Attachment A
Page 1
Nashua Acquisition
6/30/2011

	CBFRR	CBFRR
	Pro Forma	Pro Forma
	Adjustments	Adjustments
Revenue		
To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.		
Total City Bond	\$157,011,440	
Bond Interest Rate	6.50%	
Bond Period	30 yrs.	
Calculated pro rata for City Bond based on a constant payment and a constant bond rate.		
Calculated as follows:		
PWW Pro Rata Share	\$129,818,296	
Less: Rate Stabilization Reserve	\$5,000,000	
PWW Pro Rata Share (Sch 3.A)	84.98%	
Less: PWW Pro Rata Share of Rate Stabilization Reserve	\$4,248,818	
Less: City Eminent Domain Cost Recovery	\$5,000,000	
Total PWW Pro Rata Share for CBFRR/MARA	\$120,569,478	
Bond Interest Rate	6.50%	
Bond Period	30 yrs.	
		\$9,232,902
Pro Rata Calculation as follows:		
PWW Rate Base (DW10-081, Per Final Order)	\$ 92,219,994	82.68%
PEU Rate Base (As of 12/31/2008)	\$ 14,290,910	12.81%
PAC Rate Base (DW10-090), Per Final Order	\$ 2,013,382	1.81%
Southwood Corp (Book Value 12/31/2009)	\$ 3,013,105	2.70%
	<u>\$111,537,391</u>	<u>100.00%</u>
PWW Rate Base (DW10-081, Per Final Order)	82.68%	\$129,818,296
PEU Rate Base (As of 12/31/2008)	12.81%	\$20,117,347
PAC Rate Base (DW10-090), Per Final Order	1.81%	\$2,834,242
Southwood Corp (Book Value 12/31/2009)	2.70%	\$4,241,555
Total City Bond	100.00%	<u>\$157,011,440</u>
Administrative and General		
Admin	\$ (238,596)	
Officers	\$ (733,000)	
City Appointed CEO	\$ 200,000	\$ (771,596)
Bonus:		
Admin	\$ (7,000)	
Officers	\$ (36,500)	
City Appointed CEO	\$ 15,000	\$ (28,500)
Benefits:		
	Reduction	City Appointed CEO
Pension	\$ (153,000)	\$ 6,175 \$ (146,825)
401 K	\$ (24,694)	\$ 6,000 \$ (18,694)
Medical	\$ (82,532)	\$ 5,487 \$ (77,045)
Dental	\$ (8,232)	\$ 581 \$ (7,651)
Group Life/Disability	\$ (3,869)	\$ 581 \$ (3,288)
Officer's Life	\$ (10,281)	\$ 3,760 \$ (6,521)
Long Term Care	\$ (6,367)	\$ 1,498 \$ (4,869)
Payroll Taxes	\$ (55,630)	\$ 1,586 \$ (54,044)
Training/Educational Seminars	\$ (17,570)	\$ - \$ (17,570) \$ (336,507)
Meetings & Conventions:		\$ (19,600)
Senior Management Vehicle:		\$ (1,000)
Memberships:		\$ (22,466)
Total Administrative and General		\$ (1,179,669)
Less Payroll Taxes		\$ 54,044
Total Administrative and General		\$ (1,125,625)

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

Schedule 1
Attachment A
Page 2
Nashua Acquisition
6/30/2011

Pro Forma
Adjustments

Management Fee

Allocation from Corporate

Professional Fees & Services	(132,339)	
D&O Insurance	(86,479)	
Annual Report Cost	(24,965)	
Auditors/SEC Legal Expense	(210,888)	
Corp Governance Legal/AST	(32,053)	
Directors Fees & Mtgs/Corp Secy	(25,052)	
EDGAR Filing/NASDAQ & Other	(74,427)	
% to PWW	74.90% *	\$ (439,066)
	<u>\$ (586,203)</u>	

Allocation to Affiliates

Salaries	(771,596)	
Bonus	(28,500)	
Benefits	(336,507)	
Meetings & Conventions	(19,600)	
Senior Management Vehicle	(1,000)	
% to Affiliates	26.30% *	\$ 304,081
	<u>(1,156,203)</u>	

Total Management Fee**\$ (134,985)****Note:**

*Management fee allocation based on current percentage allocation.

Depreciation Expense

To eliminate depreciation expense for equity related assets
purchased with City Bond as part of the closing transaction
at a composite depreciation rate of 2.8%.

\$52,553,720	
2.80%	\$ (1,471,504)

Amortization Expense

To provide for amortization expense on City Eminent Domain
Costs as follows:
City Eminent Domain Costs
Amortization Period years

\$ 5,000,000	
30	\$ 166,667

Amortization Expense

To provide for amortization expense attributable to
MARA based on rate and principal payment
Year One Amortization Expense

\$120,569,478 (Sch 1, Ath A, Pg 1)	\$68,015,758	
52,553,720 (Sch 4)	30	
\$68,015,758	6.50%	\$787,449

Income Taxes

To record income taxes as a result of pro forma
adjustments to income statement.

\$ (2,619,572)**FINAL RATE ORDER NOI ADJUSTMENTS**

To record final adjustments to Net Operating Income
as approved in Rate Order DW10-091

\$ (166,809)

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

Schedule 3
Nashua Acquisition
Pro Forma Adjustments
6/30/2011

Description	DW10-091, OCA 3-1		DW10-091, STAFF 3-13		LESS EMINENT DOMAIN		Final Adjustment DW 10-091	Final Rate Order DW 10-091	CBFRR APPROACH W/MARA		
	PRO FORMA TEST YEAR	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED TEST YEAR & STEP PRO FORMA TEST YEAR	WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR		CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA	PRO FORMA NASHUA ACQUISITION ADJUSTMENTS	PRO FORMA NASHUA RATE BASE FOR PWW
Plant in Service	153,687,293	(421,246)	153,266,047	3,904,456	157,170,503		157,170,503				157,170,503
Adjustment to Rate Base per Final Rate Order							(3,562,467)	157,170,503			(3,562,467)
Accum Deprec	38,260,317	(7,888)	38,252,429	(36,477)	38,215,952		38,215,952	38,215,952			38,215,952
Accum Deprec: Loss	4,050,376	-	4,050,376	2,277	4,052,653		4,052,653	4,052,653			4,052,653
Accum Deprec: COR	1,708,176	-	1,708,176	185,793	1,893,969		1,893,969	1,893,969			1,893,969
Theoretical Reserve	882,900	-	882,900	-	882,900		882,900	882,900			882,900
Acquisition Adjustment	844,905	-	844,905	-	844,905		844,905	844,905			844,905
Accum Amort Acq Adj	296,522	-	296,522	-	296,522		296,522	296,522			296,522
Municipal Acquisition Regulatory Asset (MARA)	-	-	-	-	-	-	-	-	68,015,758		68,015,758
Accum Amort MARA Adj	-	-	-	-	-	-	-	-			-
CIAC	26,898,154	-	26,898,154	-	26,898,154		26,898,154	26,898,154			26,898,154
Amort of CIAC	4,037,526	-	4,037,526	-	4,037,526		4,037,526	4,037,526			4,037,526
	98,659,417	(413,358)	98,246,059	4,129,003	102,375,062	-	102,375,062	(3,562,467)	68,015,758	-	166,828,353
ADD:											
Working Cap	1,296,371	(9,203)	1,287,168	6,874	1,294,042		1,294,042	1,294,042		(155,433)	1,138,608
Materials & Supplies	825,124	-	825,124	-	825,124		825,124	825,124			825,124
Prepaid Expenses	391,159	-	391,159	-	391,159		391,159	391,159			391,159
Prepaid Property Taxes	55,545	-	55,545	-	55,545		55,545	55,545			55,545
Prepaid Income Taxes	-	-	-	-	-		-	-			-
Other & Deferred Charges	12,529,973	(11,438)	12,518,535	-	12,518,535	(4,824,907)	7,693,628	7,693,628			7,693,628
	15,098,172	(20,641)	15,077,531	6,874	15,084,405	(4,824,907)	10,259,497	10,259,497	-	(155,433)	10,104,064
DEDUCT:											
Customer Advances	84,000	-	84,000	-	84,000		84,000	84,000			84,000
Customer deposits & other	138,756	-	138,756	-	138,756		138,756	138,756			138,756
Deferred Income Tax	12,920,917	-	12,920,917	-	12,920,917		12,920,917	12,920,917			12,920,917
Deferred Tax Liability	855,191	-	855,191	-	855,191		855,191	855,191			855,191
Unamort ITC	784,440	-	784,440	-	784,440		784,440	784,440			784,440
Deferred Rental Credits	105,550	-	105,550	828,000	933,550		933,550	933,550			933,550
Unfunded FAS 106 and 158 Costs	1,135,245	-	1,135,245	-	1,135,245		1,135,245	1,135,245			1,135,245
	16,024,099	-	16,024,099	828,000	16,852,099	-	16,852,099	16,852,099			16,852,099
TOTAL Rate Base	97,733,490	(433,999)	97,299,491	3,307,877	100,607,368	(4,824,907)	95,782,461	(3,562,467)	68,015,758	(155,433)	160,080,318
DEDUCT: Equity Related Assets										(120,569,478) 1	(120,569,478)
ADD: City Eminent Domain Cost Recovery										5,000,000	5,000,000
ADD: Rate Stabilization Cash Reserve										4,248,818	4,248,818
Total Rate Base	97,733,490	(433,999)	97,299,491	3,307,877	100,607,368	(4,824,907)	95,782,461	(3,562,467)	68,015,758	(111,476,093)	48,759,659

1. Includes the elimination of MARA

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

Schedule 3
Attachment A
Nashua Acquisition
6/30/2011

CASH WORKING CAPITAL

To reduce working capital as a result of O&M Expenses (1,260,610)
Pro Forma Adjustments (Schedule 1). 12.33%

EQUITY DEDUCTION

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

To deduct all equity value associated with MARA

Total Equity Deduction

RATE STABILIZATION CASH RESERVE

To establish a rate stabilization reserve for the three (3) regulated utilities at closing.

Less: Rate Stabilization Reserve (Schedule 4) \$5,000,000
PWW Pro Rata Share 84.98% (1)
Total PWW Pro Rata Share for City Bond

(1) Pro Rata Calculation as follows:

Rate Base

PWW (DW10-091, Per Final Order)	\$ 92,219,994	84.98%
PEU (As of 12/31/2009)	\$ 14,290,910	13.17%
PAC (DW10-091, Per Final Order)	\$ 2,013,382	1.86%
	<u>\$108,524,286</u>	<u>100.00%</u>

DEFERRED DEBITS

To provide for City Eminent Domain Costs that will be amortized over 30 years

FINAL RATE ORDER NOI ADJUSTMENTS

To record final adjustments to Rate Base as approved in Rate Order DW10-091

Final Adjustment
DW 10-091

CBFRR
w/ MARA
Pro Forma
Adjustments

\$ (155,433)

\$ (52,553,720)

\$ (68,015,758)

\$ (120,569,478)

\$ 4,248,818

\$ 5,000,000

\$ (3,562,467)

**Pennichuck Water Works, Inc.
Overall Rate of Return**

**Schedule 4
Pro Forma Adjustments
6/30/2011**

For the Twelve Months Ended December 31, 2009

<u>Capital Component</u>	<u>Filed Amount</u>	<u>DW10-091, OCA 3-1</u>		<u>NASHUA ACQUISITION - CBFRR</u>							<u>Component Cost Rate</u>	<u>Weighted Average Cost Rate</u>
		<u>Adjustment</u>	<u>Final Rate Order</u>	<u>MARA Adjustment</u>	<u>RSF Adjustment</u>	<u>CBFRR Adjustment</u>	<u>Adjusted Amount</u>	<u>Component Ratio</u>				
Long-term Debt	\$ 51,855,007	\$ (2,301,100)	\$ 49,553,907				\$ 49,553,907	92.10%		6.04%		5.56%
Short-term Debt	-		-				-	0.00%		0.00%		0.00%
Preferred Stock	-		-				-	0.00%		0.00%		0.00%
Common Equity	52,553,720		\$ 52,553,720	\$ 68,015,758	\$ 4,248,818	\$ (120,569,478) ¹	\$ 4,248,818 ²	7.90%		9.75%		0.77%
Overall Rate of Return	\$ 104,408,727	\$ (2,301,100)	\$ 102,107,627	\$ 68,015,758	\$ 4,248,818	\$ (120,569,478)	\$ 53,802,725	100.00%				6.33%

Final Rate Order - DW10-091 7.98%

CBFRR Pro Forma Adjustment -1.65%

Notes:

- ¹ To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.
² To recognize pro rata share of \$5,000,000 rate stabilization cash reserve to be established at closing. (Schedule 3, Attachment A).

**Pennichuck Water Works Inc
Proposed Adjustments to Rate of Return
For The Twelve Months Ended December 31, 2009**

**Schedule 4
Attachment A
Pro Forma Adjustments**

					Outstanding Debt Funded	All In Annual Cost	Funded Effective Rate
Original Filing					\$ 51,855,007	\$ 3,077,604	5.94%
Reference			Original	Revised			
Staff 2-22	SRF Step Additions Debt		2,424,100	123,000	(2,301,100)		
	SRF Step Additions Interest	3.728%	90,370	4,585		(85,785)	
	Revised Debt and Interest				\$ 49,553,907	\$ 2,991,819	6.04%
	Proposed Adjustment				\$ (2,301,100)		

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

Schedule A
6/30/2011

	TEST YEAR	PRO FORMA ADJUSTMENTS (1) (2)	PRO FORMA TEST YEAR	COMBINED PRO FORMA TEST YEAR	City Bond Fixed Revenue Requirement (CBFRR)	
					CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA REVENUE REQUIREMENT
Consolidated Rate Base	\$ 18,937,424	\$ (4,646,514)	\$ 14,290,910	\$ 14,290,910	\$ (6,288,657)	\$ 8,002,253
RATE of Return	7.60%		7.60%	7.60%	-2.54%	5.06%
Income Required	\$ 1,439,244		\$ 1,086,109	\$ 1,086,109		\$ 404,914
Adjusted NOI	\$ 911,114	\$ (177,830)	\$ 733,284	\$ 733,284	\$ (653,378)	\$ 79,906
Deficiency	\$ 528,130		\$ 352,825	\$ 352,825		\$ 325,008
Tax Factor	60.39%		60.39%	60.39%		60.39%
Revenue Deficiency	\$ 874,532		\$ 584,244	\$ 584,244		\$ 538,182
Water Revenues (2)	\$ 5,944,734	\$ (295,242)	\$ 5,649,492	\$ 5,649,492		\$ 4,159,377
Proposed Revenue Inc	14.71%		10.34%	10.34%		9.53%
Total Revenue			<u>\$ 6,233,736</u>	<u>\$ 6,233,736</u>		<u>\$ 4,697,559</u>
ADD: City Bond Fixed Revenue Requirement (Schedule A, Attach A)						\$1,490,115
ADD: NC Capital Surcharge Revenue				\$ 295,242		\$ 295,242
Total Revenue:				<u>\$ 6,528,978</u>		<u>\$ 6,482,916</u>

Notes:

(1) Eliminate Capital Recovery Surcharge Assets and related revenues and depreciation expense.

(2) Water Revenues are reflected without Capital Surcharge Revenues

PENNICHUCK EAST UTILITY, INC.
Pro Forma Adjustments to Revenue Requirement
For The Twelve Months Ended December 31, 2009

Schedule A
Attachment A
Nashua Acquisition
6/30/2011

Pro Forma
Adjustments

1 Revenue

To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

Total City Bond \$ 157,011,440
Bond Interest Rate 6.50%
Bond Period \$ 30 yrs

Calculated pro rata for City Bond based on a constant payment and a constant bond rate.

Calculated as follows:

PEU Pro Rata Share \$ 20,117,347 (1)
Less: Rate Stabilization Reserve \$ 5,000,000
PEU Pro Rata Share (Sch 3, Attach A) 13.17%
\$ 658,420
Total PEU Pro Rata Share for City Bond \$ 19,458,927
Bond Interest Rate 6.50%
Bond Period 30 yrs
\$1,490,115 (2)

Notes:

(1) Pro Rata Calculation as follows:

PWW Rate Base (DW10-091, Per Final Order)	\$ 92,219,994	82.68%
PEU Rate Base (12/31/2009)	\$ 14,290,910	12.81%
PAC Rate Base (DW10-090), Per Final Order)	\$ 2,013,382	1.81%
Southwood Corp (Book Value 12/31/2009)	\$ 3,013,105	2.70%
	<u>\$ 111,537,391</u>	<u>100.00%</u>

PWW Rate Base (DW10-091, Per Final Order)	82.68%	\$ 129,818,296
PEU Rate Base (12/31/2009)	12.81%	\$ 20,117,347
PAC Rate Base (DW10-090), Per Final Order)	1.81%	\$ 2,834,242
Southwood Corp (Book Value 12/31/2009)	2.70%	\$ 4,241,555
	<u>100.00%</u>	<u>\$ 157,011,440</u>

(2) Any income taxes on revenues will be offset by deductions for interest expense on City Bonds calculated below and depreciation expense associated with equity related assets per Schedule 1, Attachment A, page 2.

Total Interest Payment on City Bond (year one) \$ 10,205,744
PEU Pro Rata Share 12.81%
PEU Pro Rata Interest Benefit \$ 1,307,628

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

Schedule 1
Nashua Acquisition
Pro Forma Adjustments
6/30/2011

	Account Number	PENNICHUCK EAST UTILITY, INC.	North Country	Pro Forma Adjustments (1)	COMBINED TEST YEAR	CBFRR APPROACH W/MARA		
						CITY OF NASHUA MARA ADJUSTMENT PER BOOKS	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA CBFRR APPROACH REVENUE REQUIREMENT
Water Sales	461 & 462	\$ 5,005,656	\$ 939,078	\$ (295,242)	\$ 5,649,492		(\$1,490,115)	\$ 4,159,377
Other Operating Revenue	471	32,269	8,691		40,960			40,960
Total Revenues		5,037,925	947,769	(295,242)	5,690,452		\$ (1,490,115)	4,200,337
Production Expenses	601 to 652	1,137,272	221,083		1,358,356			1,358,356
Transmission & Distribution Expense	660 to 678 & 926.1	329,977	160,100		490,077			490,077
Customer Acct & Collection Exp	902 to 904	140,501	41,563		182,064			182,064
Administrative & General Expense	920 to 950	96,772	26,749		123,521			123,521
Inter Div Management Fee	930	1,261,843	292,644		1,554,487		(256,736)	1,297,751
Total Operating Expense		2,966,366	742,139	-	3,708,505	-	(256,736)	3,451,769
Depreciation Exp/Acq Adj (Credit)	403/406	579,015	122,593	(111,791)	589,817		(151,448) (3)	438,369
Amortization Expense: CIAC	405	(157,454)	(11,864)	382	(168,936)			(168,936)
Amortization Expense: MARA						\$145,222	(145,222) (4)	-
Amortization Expense	407	58,728	6,776	(6,003)	59,501			59,501
Amort Utility Plant Adj	406	-	-		-			-
Taxes Other Than Income Tax	408.1	467,122	76,384		543,506			543,506
Income Tax	409 to 410	305,688	(80,913)		224,775		(428,553) (2)	(203,778)
Total Operating Deductions		\$ 1,253,099	\$ 112,976	\$ (117,412)	\$ 1,248,663	\$ 145,222	\$ (725,222)	\$ 668,663
Net Operating Income		\$ 818,460	\$ 92,654	\$ (177,830)	\$ 733,284	\$ (145,222)	\$ (508,156)	\$ 79,906

Notes:

(1) Eliminates the depreciation and amortization expense associated with North Country Capital Recovery Surcharge.

(2) Pro Forma Income Taxes calculated as follows:

City Bond Revenue Requirement	\$ (1,490,115)
Reduced operating expenses and deductions	\$ 408,184
NOI proforma adjustments before income taxes	\$ (1,081,931)
Income Taxes	39.61% \$ (428,553) *

*Negative Income Taxes will be offset by taxes on additional revenues from revenue deficiency per Schedule A.

PENNICHUCK EAST UTILITY, INC.
Pro Forma Adjustments to Net Operating Income
For The Twelve Months Ended December 31, 2009

Schedule 1
Attachment A
Nashua Acquisition
6/30/2011

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

Pro Forma
Adjustments

1 Revenue

To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

Total City Bond	\$	157,011,440	
Bond Interest Rate		6.50%	
Bond Period		30	yrs.
<i>Calculated pro rata for City Bond based on a constant payment and a constant bond rate.</i>			
<i>Calculated as follows:</i>			
PEU Pro Rata Share			\$ 20,117,347
Less: Rate Stabilization Reserve	\$	5,000,000	
PEU Pro Rata Share (Sch 3, Attach A)		13.17%	
			\$ 658,420
Total PEU Pro Rata Share for City Bond			\$ 19,458,927
Bond Interest Rate		6.50%	
Bond Period		30	yrs.
			<u>\$ 1,490,115</u>

Pro Rata Calculation as follows:

PWW Rate Base (DW10-091, Per Final Order)	\$	92,219,994	82.68%
PEU Rate Base (12/31/2009)	\$	14,290,910	12.81%
PAC Rate Base (DW10-090), Per Final Order)	\$	2,013,382	1.81%
Southwood Corp (Book Value 12/31/2009)	\$	3,013,105	2.70%
	\$	111,537,391	100.00%
PWW Rate Base (DW10-091,Per Staff 3-13)		82.68%	\$ 129,818,296
PEU Rate Base (12/31/09)		12.81%	\$ 20,117,347
PAC Rate Base (DW10-090,Per Staff 3-5)		1.81%	\$ 2,834,242
Southwood Corp (Book Value 12/31/2009)		2.70%	\$ 4,241,555
		100.00%	<u>\$ 157,011,440</u>

2 Management Fee

Allocation from Corporate
Professional Fees & Services
D&O Insurance

Annual Report Cost		(132,339)	
Auditors/SEC Legal Expense		(86,479)	
Corp Governance Legal/AST		(24,965)	
Directors Fees & Mtgs/Corp Secy		(210,888)	
EDGAR Filing/NASDAQ & Other		(32,053)	
		(25,052)	
		(74,427)	
% Allocation to PEU	15.00%	\$ (586,203)	

\$ (87,930)

Allocation from PWW

Salaries		(771,596)	
Bonus		(28,500)	
Benefits		(336,507)	
Meetings & Conventions		(19,600)	
Senior Management Vehicle		(1,000)	
% Allocation to PEU	14.60%	(1,156,203)	

\$ (168,806)

\$ (256,736)

3 Amortization Expense

To provide for amortization expense attributable to MARA based on rate and principal payment
Year One Amortization Expense

\$ 19,458,927 (Sch 1, Ath A)	\$	12,543,506
6,915,421 (Sch 4)		30
<u>\$ 12,543,506</u>		<u>6.50%</u>

\$145,222

4 Depreciation Expense

To eliminate depreciation expense for equity related assets purchased with City bond as part of the closing transaction at a composite depreciation rates of 2.19%.

\$ 6,915,421 (Sch 4)	
<u>2.19%</u>	

\$ 151,448

5 Income Taxes

To record income taxes as a result of pro forma adjustments to income statement. (Sch 1)

\$ (1,081,931)	
<u>39.61%</u>	

\$ (428,553)

Note:

*Management fee allocation based on current percentage allocation.

PENNICHUCK EAST UTILITY, INC.
COMPUTATION OF RATE BASE
For The Twelve Months Ended December 31, 2001

Schedule 3
Nashua Acquisition
Pro Forma Adjustments
6/30/2011

Description	PENNICHUCK EAST UTILITY, INC.	North Country	Pro Forma Adjustments (1)	COMBINED TEST YEAR	CBFRR APPROACH W/MARA		
					CITY ADJUSTMENTS FOR PEU'S PRO RATA SHARE OF MARA	PRO FORMA NASHUA ACQUISITION ADJUSTMENTS	PRO FORMA NASHUA RATE BASE FOR PEU
Plant in Service	\$ 38,774,582	\$ 5,705,899	\$ (4,550,906)	\$ 39,929,575			\$ 39,929,575
Accum Deprec	7,781,193	294,504	(271,782)	7,803,915			7,803,915
Accum Deprec: Loss	927,493	192,960	(272,509)	847,944			847,944
Accum Deprec: COR	30,401	87,138		117,539			117,539
Acquisition Adjustment	10,468,179			10,468,179			10,468,179
Accum Amort Acq Adj	2,487,151			2,487,151			2,487,151
Municipal Acquisition Regulatory Asset (MARA)					12,543,506		12,543,506
Accum Amort MARA Adj							-
CIAC	8,807,342	32,770	(14,096)	8,826,016			8,826,016
Amort of CIAC	875,827	12,193	(423)	887,597			887,597
	16,038,740	5,670,916	(4,537,960)	17,171,696	12,543,506	-	29,715,202
ADD:							
Working Cap	365,753	91,506		457,259		(31,656)	425,603
Materials & Supplies	-	925		925			925
Prepayments	90,684	10,403		101,087			101,087
Other & Deferred Charges	512,492	117,688	(108,554)	521,626			521,626
	968,929	220,522	(108,554)	1,080,896	-	(31,656)	1,049,241
DEDUCT:							
Customer Advances	-			-			-
Customer Deposits	2,063	2		2,065			2,065
Deferred Income Tax	3,288,402	585,642		3,874,044			3,874,044
Deferred Gain on Loans	85,574	-		85,574			85,574
	3,376,039	585,644		3,961,683	-		3,961,683
TOTAL Rate Base	\$ 13,631,630	\$ 5,305,794	\$ (4,646,514)	\$ 14,290,910	\$ 12,543,506	\$ (31,656)	\$ 26,802,760
DEDUCT: Equity Related Assets						\$ (19,458,927) ²	\$ (19,458,927)
ADD: Rate Stabilization Cash Reserve						\$ 658,420	\$ 658,420
TOTAL Rate Base	\$ 13,631,630	\$ 5,305,794	\$ (4,646,514)	\$ 14,290,910	\$ 12,543,506	\$ (18,832,162)	\$ 8,002,253

(1) Eliminate Capital Recovery Surcharge Assets and related revenues and depreciation expense.

(2) Includes Elimination of MARA

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

Schedule 3
Attachment A
Nashua Acquisition
6/30/2011

1 CASH WORKING CAPITAL

To reduce working capital as a result of O&M
pro forma adjustments. (Schedule 1) (256,736)
12.33%

Pro Forma
Adjustments

\$ (31,656)

2 EQUITY DEDUCTION

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

\$ (6,915,421)

To deduct all equity associated with MARA

\$ (12,543,506)

Total Equity Deduction

\$ (19,458,927)

3 RATE STABILIZATION CASH RESERVE

To establish a rate stabilization reserve for the three (3)
regulated utilities at closing.

Less: Rate Stabilization Reserve \$ 5,000,000
PEU Pro Rata Share 13.17%

Total PEU Pro Rata Share for City Bond

\$ 658,420

(1) Pro Rata Calculation as follows:

Rate Base

PWW Rate Base (DW10-091, Per Final Order)	\$ 92,219,994	84.98%
PEU Rate Base (12/31/2009)	\$ 14,290,910	13.17%
PAC Rate Base (DW10-090), Per Final Order)	\$ 2,013,382	1.86%
	<u>\$ 108,524,286</u>	<u>100.00%</u>

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

Schedule 4
Nashua Acquisition
Proposed Adjustments
6/30/2011

NASHUA ACQUISITION - CBFRR								
<u>Capital Component</u>	<u>Pro Forma Test</u> <u>Year</u>	<u>MARA</u> <u>Adjustment</u>	<u>RSF</u> <u>Adjustment</u>	<u>CBFRR</u> <u>Adjustment</u>	<u>Adjusted</u> <u>Amount</u>	<u>Component</u> <u>Ratio</u>	<u>Component</u> <u>Cost Rate</u>	<u>Weighted</u> <u>Average</u> <u>Cost Rate</u>
Long-term Debt	\$7,856,291				\$7,856,291	92.27%	4.67%	4.30%
Short-term Debt	-				\$0	0.00%	0.00%	0.00%
Preferred Stock	-				\$0	0.00%	0.00%	0.00%
Common Equity	6,915,421	\$ 12,543,506	\$ 658,420	\$ (19,458,927) ¹	658,420 ²	7.73%	9.75%	0.75%
Overall Rate of Return	\$ 14,771,712	\$ 12,543,506	\$ 658,420	\$ (19,458,927)	\$ 8,514,711	100.00%		5.06%

Authorized ROR 7.60%

Proposed Adjustment -2.54%

Notes:

¹ To eliminate common and MARA equity purchased by City Bond as part of closing transaction.

² To recognize pro rata share of \$5,000,000 rate stabilization cash reserve to be established at closing. (Schedule 3, Attachment A)

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

**COMBINED INCREASE
Schedule A
6/30/2011**

	DW10-090, OCA 3-1		DW10-090, STAFF 3-5				City Bond Fixed Revenue Requirement (CBFRR)		
	PRO FORMA TEST YEAR	PROPOSED DATA REQUESTS ADJUSTME NTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	¹ Final Adjustment DW 10-090	Final Rate Order DW 10-090	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA REVENUE REQUIREMENT
Consolidated Rate Base	\$ 1,962,038	\$ (61,125)	\$ 1,900,913	\$ 112,476	\$ 2,013,389	\$ (7)	\$ 2,013,382	(\$965,565)	\$1,047,817
RATE of Return	7.60%		7.60%		7.60%		7.60%	-1.84%	5.75%
Income Required	\$ 149,023		\$ 144,380		\$ 152,923		\$ 152,922	\$	60,279
Adjusted NOI	\$ 75,753	\$ 3,595	\$ 79,348	\$ (3,632)	\$ 75,716	\$ 1,524	\$ 77,240	(\$91,474)	(\$14,234)
Deficiency	\$ 73,270		\$ 65,032		\$ 77,207		\$ 75,682	\$	74,513
Tax Factor	60.39%		60.39%		60.39%		60.39%		60.39%
Revenue Deficiency	\$ 121,328		\$ 107,686	\$ 20,161	\$ 127,847	\$ (2,525)	\$ 125,322	\$	123,386
Water Revenues	\$ 607,133	\$ 126	\$ 607,259	-	\$ 607,259		\$ 607,259	\$	397,324
Proposed Revenue Inc	19.98%		17.73%	3.32%	21.05%	-0.42%	20.63%		20.32%
Total Revenue	<u>\$ 728,461</u>		<u>\$ 714,945</u>		<u>\$ 735,106</u>		<u>\$ 732,581</u>		<u>\$ 520,710</u>
ADD: City Bond Fixed Revenue Requirement (Schedule A, Attach A)									\$209,936
Total Revenue:									<u>\$ 730,645</u>

1. Adjustments shown are those required to adjust PAC's rate base and NOI to that which was approved in the DW10-090 order

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

Schedule A
Attachment A
Nashua Acquisition
6/30/2011

Pro Forma
Adjustments

Revenue

- 1 To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

Total City Bond	\$ 157,011,440 (1)
Bond Interest Rate	6.50%
Bond Period	30 yrs

Calculated pro rata for City Bond based on a constant payment and a constant bond rate.

Calculated as follows:

PAC Pro Rata Share	\$ 2,834,242	
Less: Rate Stabilization Reserve	\$ 5,000,000	
PAC Pro Rata Share (Sch 3, Attach A)	1.86%	
	\$92,762	
Total PAC Pro Rata Share for City Bond	\$ 2,741,481	
Bond Interest Rate	6.50%	
Bond Period	30 yrs	
		\$209,936 (2)

Notes:

(1) Pro Rata Calculation as follows:

PWW Rate Base (DW10-091, Per Final Order)	\$ 92,219,994	82.68%
PEU Rate Base (12/31/2009)	\$ 14,290,910	12.81%
PAC Rate Base (DW10-090), Per Final Order)	\$ 2,013,382	1.81%
Southwood Corp (Book Value 12/31/2009)	\$ 3,013,105	2.70%
	<u>\$ 111,537,391</u>	<u>100.00%</u>

PWW Rate Base (DW10-091, Per Staff 3-13)	82.68%	\$ 129,818,296
PEU Rate Base (As of 12/31/09)	12.81%	\$ 20,117,347
PAC Rate Base (DW10-090, Per Staff 3-5)	1.81%	\$ 2,834,242
Southwood Corp (Book Value 12/31/2009)	2.70%	\$ 4,241,555
	<u>100.00%</u>	<u>\$ 157,011,440</u>

- (2) Any income taxes on revenues will be offset by deductions for interest expense on City Bonds calculated below and depreciation expense associated with equity related assets per Schedule 1, Attachment A, page 2.

Total Interest Payment on City Bond (year one)	\$10,205,744
PAC Pro Rata Share	1.81%
PAC Pro Rata Interest Benefit	\$184,226

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

Schedule 1
Nashua Acquisition
Pro Forma Adjustments
6/30/2011

	DW10-090, OCA 3-1		DW10-090, OCA 3-1		CBFRR APPROACH W/MARA					
	PRO FORMA 12 MONTHS 12/31/09	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-090	Final Rate Order DW 10-090	CITY OF NASHUA MARA ADJUSTMENT PER BOOKS	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA CBFRR APPROACH REVENUE REQUIREMENT
Water Sales	\$ 607,133	\$ 126	\$ 607,259	\$ -	\$ 607,259		\$ 607,259		(\$209,936)	\$ 397,324
Other Operating Revenue	5,429	-	5,429	-	5,429		5,429			5,429
Total Revenues	612,562	126	612,688	-	612,688		612,688	-	(209,936)	402,753
Production Expenses	86,392	-	86,392	-	86,392		86,392			86,392
Transmission & Distribution Expenses	52,376	-	52,376	-	52,376		52,376			52,376
Customer Acct & Collection Exp	19,953	-	19,953	-	19,953		19,953			19,953
Administrative & General Expense	61,371	(1,364)	60,007	-	60,007		60,007			60,007
Final Rate Order Adjustments						(1,524)	(1,524)			
Inter Div Management Fee	160,026	(238)	159,788	-	159,788		159,788		(31,364)	128,424
Total Operating Expense	380,118	(1,602)	378,516	-	378,516	(1,524)	376,992	-	(31,364)	345,628
Dep Exp/Acq Adj Expense	86,086	-	86,086	2,050	88,136		88,136		(27,100) (2)	61,037
Amortization Expense:CIAC	(24,146)	-	(24,146)	-	(24,146)		(24,146)			(24,146)
Amortization Expense: MARA								19,531	(19,531) (3)	-
Amortization Expense	4,458	-	4,458	-	4,458		4,458			4,458
Property Taxes	81,437	(4,225)	77,212	3,964	81,176		81,176			81,176
Income Tax	8,857	2,358	11,215	(2,382)	8,833		8,833		(59,998) (1)	(51,165)
Total Operating Deductions	156,691	(1,867)	154,824	3,632	158,456	-	158,456	19,531	(106,629)	71,359
Net Operating Income	\$ 75,753	\$ 3,595	\$ 79,348	\$ (3,632)	\$ 75,716	\$ 1,524	\$ 77,240	\$ (19,531)	(\$71,943)	(\$14,234)

Notes:

(1) Pro Forma Income Taxes calculated as follows:

City Bond Revenue Requirement	\$ (209,936)
Reduced operating expenses and deductions	\$58,464
NOI proforma adjustments before income taxes	\$ (151,472)
Income Taxes	39.61% \$ (59,998) *

* Negative Income Taxes will be offset by taxes on additional revenues from revenue deficiency per Schedule A.

(2) Eliminate Depreciation Expenses for Equity related assets bought out by City

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

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

Schedule 1
Attachment A
Nashua Acquisition
6/30/2011

Pro Forma
Adjustments

Revenue

- 1 To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.

Total City Bond
Bond Interest Rate
Bond Period

\$ 157,011,440
6.50%
30 yrs

Calculated pro rata for City Bond based on a constant payment and a constant bond rate.

Calculated as follows:

PAC Pro Rata Share
Less: Rate Stabilization Reserve
PAC Pro Rata Share (Sch 3.A)

\$ 2,834,242
\$ 5,000,000
1.86%

\$92,762

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

\$ 2,741,481
6.50%
30 yrs

\$ (209,936)

Pro Rata Calculation as follows:

PWW Rate Base (DW10-091, Per Final Order)
PEU Rate Base (12/31/2009)
PAC Rate Base (DW10-090), Per Final Order
Southwood Corp (Book Value 12/31/2009)

\$ 92,219,994 82.68%
\$ 14,290,910 12.81%
\$ 2,013,382 1.81%
\$ 3,013,105 2.70%
\$ 111,537,391 100%

PWW Rate Base (DW10-091, Per Staff 3-13)
PEU Rate Base (As of 12/31/09)
PAC Rate Base (DW10-090, Per Staff 3-5)
Southwood Corp (Book Value 12/31/2009)

82.68% \$129,818,296
12.81% \$ 20,117,347
1.81% \$ 2,834,242
2.70% \$ 4,241,555
100.00% \$157,011,440

2 Management Fee

Allocation from Corporate

Professional Fees & Services
D&O Insurance
Annual Report Cost
Auditors/SEC Legal Expense
Corp Governance Legal/AST
Directors Fees & Mtgs/Corp Secy
EDGAR Filing/NASDAQ & Other
% Allocation to PAC

\$ (132,339)
(86,479)
(24,965)
(210,888)
(32,053)
(25,052)
(74,427)
1.80% * \$ (586,203) \$ (10,552)

Allocation from PWW

Salaries
Bonus
Benefits
Meetings & Conventions
Senior Management Vehicle
% Allocation to Pac

\$ (771,596)
(28,500)
(336,507)
(19,600)
(1,000)
1.80% * \$(1,156,203) \$ (20,812)

Total Management Fee

\$ (31,364)

3 Depreciation Expense

To eliminate depreciation expense for equity related assets purchased with City Bond as part of closing transaction at a composite depreciation rate of 2.57%.

\$ (1,054,459)
2.57%

\$ (27,100)

4 Amortization Expense

To provide for amortization expense attributable to MARA based on rate and principal payment
Year One Amortization Expense

\$ 2,741,481 (Sch 1, Ath A, Pg 1)
1,054,459 (Sch 4)
\$ 1,687,021

\$ 1,687,021
30
6.50%

\$ 19,531

5 Income Taxes

To record income taxes as a result of pro forma adjustments to income statement.

\$ (151,472)
39.61%

\$ (59,998)

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

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

Schedule 3
Nashua Acquisition
Pro Forma Adjustments
6/30/2011

Description	DW10-090, OCA 3-1		DW10-090, OCA 3-1		DW10-090, OCA 3-1		DW10-090, OCA 3-1		CBFRR APPROACH W/MARA		
	Pro Forma Test Year	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-090	Final Rate Order DW 10-090	Final Rate Order DW 10-090	CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA	PRO FORMA NASHUA ACQUISITION ADJUSTMENTS	PRO FORMA NASHUA RATE BASE FOR PWW
Plant in Service	\$ 3,846,825	\$ -	\$ 3,846,825	\$ 114,526	\$ 3,961,351		\$ 3,961,351				\$ 3,961,351
Adjustment to Rate Base per Final Rate Order						(7)	(7)				(7)
Accum Deprec	1,036,132		1,036,132	2,050	1,038,182		1,038,182				1,038,182
Accum Deprec: Loss	114,504		114,504	-	114,504		114,504				114,504
Accum Deprec: COR	406		406	-	406		406				406
Municipal Acquisition Regulatory Asset (MARA)									1,687,021		1,687,021
Accum Amort MARA Adj											
CIAC	1,148,636		1,148,636	-	1,148,636		1,148,636				1,148,636
Amort of CIAC	256,418		256,418	-	256,418		256,418				256,418
	\$ 2,033,385	\$ -	\$ 2,033,385	\$ 112,476	\$ 2,145,861	\$ (7)	\$ 2,145,854	\$ 1,687,021	\$ -	\$ -	\$ 3,832,882
ADD:											
Working Cap	111,754	(61,125)	50,629	-	50,629		50,629		(3,867)		46,762
Materials & Supplies	588		588	-	588		588				588
Prepayments	7,797		7,797	-	7,797		7,797				7,797
Other & Deferred Charges	3,505	-	3,505	-	3,505		3,505				3,505
	\$ 123,644	\$ (61,125)	\$ 62,519	\$ -	\$ 62,519	\$ -	\$ 62,519	\$ -	\$ (3,867)	\$ -	\$ 58,652
DEDUCT:											
Customer Advances	-		-	-	-		-				\$0
Customer Deposits	-		-	-	-		-				\$0
Deferred Income Tax	194,991		194,991	-	194,991		194,991				\$194,991
	\$ 194,991	\$ -	\$ 194,991	\$ -	\$ 194,991	\$ -	\$ 194,991	\$ -	\$ -	\$ -	\$ 194,991
TOTAL Rate Base	\$ 1,962,038	\$ (61,125)	\$ 1,900,913	\$ 112,476	\$ 2,013,389	\$ (7)	\$ 2,013,382	\$ 1,687,021	\$ (3,867)	\$ -	\$ 3,696,543
DEDUCT: Equity Related Assets									(2,741,481) 1		(2,741,481)
ADD: Rate Stabilization Cash Reserve									92,762		92,762
Total Rate Base:	\$ 1,962,038	\$ (61,125)	\$ 1,900,913	\$ 112,476	\$ 2,013,389	\$ (7)	\$ 2,013,382	\$ 1,687,021	\$ (2,652,586)	\$ -	\$ 1,047,824

1. Includes the elimination of MARA

PITTSFIELD AQUEDUCT COMPANY
Pro Forma Adjustments to Rate Base
For The Twelve Months Ended December 31, 2009

Schedule 3
Attachment A
Nashua Acquisition
6/30/2011

Pro Forma
Adjustments

1 CASH WORKING CAPITAL

To reduce working capital as a result of O&M Expense (\$31,364)
pro forma adjustments (Schedule 1). 12.33%

\$ (3,867)

2 EQUITY DEDUCTION

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

\$ (1,054,459)

To deduct all equity value associated with MARA

\$ (1,687,021)

Total Equity Deduction

\$ (2,741,481)

3 RATE STABILIZATION CASH RESERVE

To establish a rate stabilization reserve for the three (3)
regulated utilities at closing.

Less: Rate Stabilization reserve (Sch A, Attach A) \$5,000,000
PAC Pro Rata Share 1.86% (1)

\$ 92,762

(1) Pro Rata Calculation as follows:

Rate Base

PWW Rate Base (DW10-091, Per Final Order)	\$ 92,219,994	84.98%
PEU Rate Base (12/31/2009)	\$ 14,290,910	13.17%
PAC Rate Base (DW10-090), Per Final Order)	\$ 2,013,382	1.86%
	<u>\$ 108,524,286</u>	<u>100.00%</u>

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

Schedule 4
Nashua Acquisition
Pro Forma Adjustments
6/30/2011

DW10-090				NASHUA ACQUISITION - CBFRR						
Capital Component	Pro Forma Test Year	Adjustment	Final Rate Order	MARA Adjustment	RSF Adjustment	CBFRR Adjustment	Adjusted Amount	Component Ratio	Component Cost Rate	Weighted Average Cost Rate
Long-term Debt	776,850		776,850				\$ 776,850	69.07%	7.00%	4.84%
Short-term Debt	255,038		255,038				\$ 255,038	22.68%	0.50%	0.11%
Preferred Stock	-		-				\$ -	0.00%	0.00%	0.00%
Common Equity	1,054,459		1,054,459	\$ 1,687,021	\$92,762	\$ (2,741,481)	\$ 92,762	8.25%	9.75%	0.80%
Overall Rate of Return	\$ 2,086,347		\$ 2,086,347	\$ 1,687,021	\$ 92,762	\$ (2,741,481)	\$ 1,124,650	100.00%		5.75%
										Original Filing 7.60%
										Proposed Adjustment -1.84%

Notes:

- 1 To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.
2 To recognize pro rata share of \$5,000,000 rate stabilization cash reserve to be established at closing. (Schedule 3, Attachment A).