Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No, DW 11-026
Exhibit BJH (Supp)-1
Page 1 of 9

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

COMBINED INCREASE Schedule A 6/30/2011

26,529,314

		DW10-091	_	DW10-09	1, (OCA 3-1		DW10-09	, S	TAFF 3-13							Çi	ty Bond Fixed Rev (CBF		Requirement
		PRO FORMA FEST YEAR		OPOSED DATA REQUESTS DJUSTMENTS (2)		2 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	F	EP INCREASE PRO FORMA DJUSTMENTS (2)		COMBINED PRO FORMA & STEP ICREASE FORMA TEST YEAR	DC	WITHOUT EMINENT MAIN COSTS RECOVERY	F	COMBINED PRO FORMA & STEP CREASE FORMA TEST YEAR	¹ Final Idjustment DW 10-091	Final Rate Order OW 10-091	Al	Y OF NASHUA DJUSTMENTS FOR CBFRR APPROACH	ı	OF NASHUA REVENUE QUIREMENT
	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	\$	3	\$	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	\$	9	\$	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 <mark>%</mark>				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
4	Water Revenues	\$ 24,116,426	\$	2	\$	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 <mark>%</mark>				10.01%
	Total Revenue	\$ 28,031,601			\$	28,212,098	•		\$	28,858,834	2		\$	27,687,698		\$ 26,997,163	-		\$	17,296,411
	ADD: City Bond Fixed Revenue Requirement (Schedule A, Attachment A)																			\$9,232,902

Total City Revenue:

^{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 6.50% Bond Interest Rate

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%
	\$ 111,537,391	100.00%
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%	\$157,011,440

(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

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

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

		DW10-091,	OCA 3-1	DW10-091,	STAFF 3-13	LESS EMIN	ENT DOMAIN			CE	FRR APPROACH W/I	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 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		(4-)-0-/04-/	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	25	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	28	10,373,760	(166,809)	10,206,951	- 3	(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	5	20	5		555		199					
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	- 1	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)	
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 forms reduction in operating expenses

Total Proforma Revenue decrease
Total Proforma NOI before income tax

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

(6,613,411) (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 Altributable 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

Revenue To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation. Total City Bond obligation. Total City Bond based on a constant payment and a constant bond rate. Calculated pro rata for City Bond based on a constant payment and a constant bond rate. Calculated as follows: PWW Pro Rata Share (sch.) Eless: Rate Stabilization Reserve PWW Pro Rata Share (sch.) PWW Pro Rata Share (sch.) Eless: City Eminent Domain Cost Recovery Total PWW Pro Rate Share for CBFRR/MARA Bond Interest Rate Bond Period PPWR Pro Rate Share for CBFRR/MARA Bond for Share for Sh									0/30/2011
Revenue To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.					Pro Forma				Pro Forma
Trequirement to meet City Bond obligation. Total City Bond Bond Interest Rate Bond Period Calculated pro rate for City Bond based on a constant payment and a constant bond rate. Calculated as follows: PWW Pro Rata Share Less: Rate Stabilization Reserve PWW Pro Rata Share (sa-1a,) Sast: PWW Pro Rata Share (sa-1a,) Total PWW Pro Rata Share (sa-1a,) Bond Interest Rate Bond Period PWW Rate Base (Invir-0-01, Per Pend Order) PEU Rate Base (Invir-0-01, Per Pend Order) Southwood Corp (Book Value 12/31/2009) PWW Rate Base (Invir-0-01, Per Pend Order) PEU Rate Base (Invir-0-0-01, Per Pend Order) Southwood Corp (Book Value 12/31/2009) Total City Bond Administrative and General Admini \$ (238,596) Officers \$ (36,500) Benefits: City Appointed CEO Southwood Corp (Book Value 12/31/2009) Benefits: City Appointed CEO City Appointed CEO City Appointed CEO Southwood Corp (Book Value 12/31/2009) Southwood Corp (Book Value 12/31/2009) Southwood Corp (Book Value 12/31/2009) Total City Bond Administrative and General Admini \$ (7,000) Officers \$ (36,500) City Appointed CEO Southwood Corp (Book Value 12/31/2009) Total City Bond Administrative and General Admini \$ (7,000) Officers \$ (36,500) City Appointed CEO Southwood Corp (Book Value 12/31/2009) Southwood Corp (Book Value 12/31	Revenue			_^	ujustineirts			_	Adjustments
Bond Interest Rate Bond Period 30 yrs. 3									
Calculated pro rata for City Bond based on a constant payment and a constant payment and a constant bond rate.	Bond Interest Rate								
PWW Pro Rata Share Less: Rate Stabilization Reserve PWW Pro Rata Share (seh 3.4) 84.98% \$4.248,818 \$5.000,000 \$120,869,478 \$5.000,000 \$120,869,478 \$4.248,818 \$5.000,000 \$120,869,478 \$5.000,000 \$120,869,478 \$5.000,000 \$120,869,478 \$6.50%			30	уга					
PWW Pro Rata Share Less: Rate Stabilization Reserve PWW Pro Rate Stabilization Reserve Less: City Eminent Domain Cost Recovery S5,000,000 S4,248,818 S4,248,818 S6,000,000 S120,569,478 S6,000,000 S120,500,000 S120,500,									
Less: Rate Stabilization Reserve PWW Pro Rata Share (sch 3.A) 84.98%					00 040 000				
SS. PWW Pro Rata Share of Rate Stabilization Reserve Less: City Eminent Domain Cost Recovery Total PWW Pro Rata Share for CBFRR/MARA Bond Interest Rate Bond Period Pro Rata Calculation as follows:	Less: Rate Stabilization Reserve				29,818,296				
Less: City Eminent Domain Cost Recovery Total PWW Pro Rata Share for CBFRR/MARA Bond Interest Rate Bond Period			84.98%						
Total PWW Pro Rata Share for CBFRR/MARÁ Bond Interest Rate Bond Period Bond Bond Bond Period Bond Bond Bond Bond Bond Bond Bond Bo									
Bond Interest Rate Bond Period Bond Peri									
Pro Rata Calculation as follows: PWW Rate Base (DW10-090), Per Final Order) \$ 92,219,994 82,68% PEU Rate Base (DW10-090), Per Final Order) \$ 14,290,910 12,81% PAC Rate Base (DW10-090), Per Final Order) \$ 2,013,382 1,81% Southwood Corp (Book Value 1231/2009) \$ 3,013,105 2,70% PWW Rate Base (DW10-090), Per Final Order) 82,68% \$129,818,296 PEU Rate Base (DW10-090), Per Final Order) 82,68% \$129,818,296 PEU Rate Base (DW10-090), Per Final Order) 12,81% \$20,117,347 PAC Rate Base (DW10-090), Per Final Order) 12,81% \$20,117,347 PAC Rate Base (DW10-090), Per Final Order) 12,81% \$20,017,347 PAC Rate Base (DW10-090), Per Final Order) 12,81% \$20,017,347 PAC Rate Base (DW10-090), Per Final Order) 11,81% \$22,834,242 Southwood Corp (Book Value 1231/2009) 12,81% \$20,017,347 PAC Rate Base (DW10-090), Per Final Order) 10,000% \$157,011,440 Admin				\$1					
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PEU Rate Base (As of 1/231/2009)	PWW Rate Base (DW10-091, Per Final Order)		82.68%	\$1	29.818.296				
PAC Rate Base (DW10-090), Per Final Order) 1.81% \$2,834,242 2.70% \$4,241,555 3.000	PEU Rate Base (As of 12/31/2009)								
Southwood Corp (Book Value 12/31/2009) Total City Bond Total	PAC Rate Base (DW10-090), Per Final Order)		1.81%						
Administrative and General Admin \$ (238,596) Officers \$ (73,000) \$ (771,1 Memberships: 1701 Mamberships: 1701 Memberships: 1701 Memberships: 1701 Memberships: 1701 Memberships: 1701 Memberships: 1701 Memberships: 1703,000 \$ (179,000) \$ (179,000) \$ (28,1000) \$									
Admin									
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Benefits: City Appointed CEO Pension \$ (153,000) \$ (175) \$ (146,825) 401 K \$ (24,694) \$ 6,000 \$ (18,694) Medical \$ (82,532) \$ 5,487 \$ (77,045) Dental \$ (8,232) \$ 581 \$ (76,51) Group Life/Disability \$ (3,689) \$ 581 \$ (76,51) 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) \$ (336,17,570) Meetings & Conventions: \$ (11,050) \$ (11,050) \$ (11,050) \$ (11,050) Senior Management Vehicle: \$ (22,050) \$ (11,050) \$ (11,050) \$ (11,050) Memberships: \$ (22,050) \$ (11,050) \$ (11,050) \$ (11,050) \$ (11,050) Less Payroll Taxes \$ (3,050) \$ (3,050) \$ (3,050) \$ (3,050) \$ (3,050) \$ (3,050) \$ (3,050)									
Reduction CEO	City Appointed CEO	-\$	15,000	-				5	(28,500
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) \$ (336,436) Meetings & Conventions: \$ (17,570) \$ (19,436) Senior Management Vehicle: \$ (1,104) Memberships: \$ (22,532) Total Administrative and General \$ (3,179,179) Less Payroll Taxes \$ (54,044)	Benefits:		Reduction	Cit					
401 K \$ (24,694) \$ 6,000 \$ (18,694)	Pension	S		5		\$	(146.825)		
Medical \$ (82,532) \$ 5,487 \$ (77,045) Dental \$ (8,232) \$ 581 \$ (7,651) Group Life/Disability \$ (3,689) \$ 581 \$ (7,651) Officer's Life \$ (10,281) \$ 3,760 \$ (6,521) Long Term Care \$ (6,367) \$ 1,498 \$ (4,669) Payroll Taxes \$ (55,630) \$ 1,586 \$ (54,044) Training/Educational Seminars \$ (17,570) \$ 1.586 \$ (17,570) \$ (336,404) Meetings & Conventions: Senior Management Vehicle: Memberships: \$ (1,19,404) Total Administrative and General \$ (22,404) Senior Management Vehicle \$ (1,19,404)	401 K	\$							
Dental \$ (8,232) \$ 581 \$ (7,651)	Medical	s				\$			
Group Life/Disability \$ (3,869) \$ 581 \$ (3,288) Officer's Life \$ (10,281) \$ 3,760 \$ (6,521) Long Term Care \$ (6,637) \$ 1,498 \$ (4,869) Payroll Taxes \$ (55,630) \$ 1,586 \$ (54,044) Training/Educational Seminars \$ (17,570) \$ - \$ (17,570) \$ (336,136) Meetings & Conventions: \$ (19,100) Senior Management Vehicle: \$ (1,100) Memberships: \$ (22,700) Total Administrative and General \$ (21,7570) Less Payroll Taxes \$ (3,88)	Dental	5			581	\$			
Officer's Life \$ (10,281) \$ 3,760 \$ (6,521) \$ 1,498 \$ (4,669) \$ (4,669) \$ (4,669) \$ 1,498 \$ (55,630) \$ 1,586 \$ (54,044) \$ (336,445) \$	Group Life/Disability	S			581	\$			
Long Term Care \$ (6,367) \$ 1,498 \$ (4,869) Payroll Taxes \$ (55,630) \$ 1,586 \$ (54,044) Training/Educational Seminars \$ (17,570) \$ - \$ (17,570) \$ (336,44) Meetings & Conventions: \$ (17,570) \$ - \$ (17,570) \$ (336,44) Senior Management Vehicle: \$ (19,04) Memberships: \$ (22,04) Total Administrative and General Less Payroll Taxes \$ (1,179,179,179,179)	Officer's Life	\$			3,760	\$			
Payroll Taxes \$ (55,630) \$ 1,586 \$ (54,044) Training/Educational Seminars \$ (17,570) \$ - \$ (17,570) \$ (336.) Meetings & Conventions: \$ (19,100) Senior Management Vehicle: \$ (1,100) Memberships: \$ (22,700) Total Administrative and General \$ (1,179.) Less Payroll Taxes \$ 54,4		5							
Training/Educational Seminars \$ (17,570) \$ - \$ (17,570) \$ (336,36) Meetings & Conventions: \$ (19,000) Senior Management Vehicle: \$ (1,000) Memberships: \$ (22,000) Total Administrative and General Less Payroll Taxes \$ (1,179,100)	Payroll Taxes				1,586	\$			
Senior Management Vehicle: \$ (1,1) Memberships: \$ (22,2) Total Administrative and General \$ (1,179,1) Less Payroll Taxes \$ 54,4	Training/Educational Seminars	\$	(17,570)	\$		\$	(17,570)	\$	(336,507
Memberships: \$ (22,7) Total Administrative and General \$ (1,179) Less Payroll Taxes \$ 54,1	Meetings & Conventions:							\$	(19,600
Total Administrative and General \$ (1,179) Less Payroll Taxes \$ 54,1	Senior Management Vehicle :							\$	(1,000
Less Payroll Taxes \$ 54,									(22,466
									(1,179,669
Total Administrative and General \$ (1.125.)									54,044
	Total Administrative and General							_\$_	(1.125.625

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Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (Supp)-1 Page 4 of 9

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

Management Fee					ro Forma ljustments
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% *		\$ (586,203)	\$	(439,066)
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% *		(1,156,203)	\$	304,081
Total Management Fee				\$	(134,985)
Note:					
*Management fee allocation based on current percei	ntage allocation				
Depreciation Expense					
To eliminate depreciation expense for equity relate	ed assets				
purchased with City Bond as part of the closing tra	nsaction		\$52,553,720		
at a composite depreciation rate of 2.8%.			2.80%	\$	(1,471,504)
Amortization Expense					
To provide for amortization expense on City Emine	ent Domain				
Costs as follows:					
City Eminent Domain Costs			\$ 5,000,000		
Amortization Period years			30_	\$	166,667
Amortization Expense					
To provide for amortization expense attributable to)	\$120,569,478 (Sch 1, Ath A, Pg 1)	\$68,015,758		
MARA based on rate and principal payment	_	52,553,720 (Sch 4)	30		
Year One Amortization Expense		\$68,015,758	6.50%	_	\$787,449
Income Taxes					
To record income taxes as a result of pro forma				_\$	(2,619,572)
adjustments to income statement.					
FINAL RATE ORDER NOI ADJUSTMENTS					
To record final adjustments to Net Operating Incom	ne			\$	(166,809)
as approved in Rate Order DW10-091					

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

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

							ENT DOMAIN				CBFRR APPROACH WIME	APPROACH W/MARA	
Description _	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	Final Adjustment DW 10-091	Final Rate Order DW 10-091	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			157,170,503	
Adjustment to Rate Base per Final Rate Order								(3,562,467)	(3,562,467)			(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	
Acquistion 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)	5.5	(*3					(60)	- 3	20	68,015,758		68,015,758	
Accum Amort MARA Adj		(3)	1,55	*			(40)	38	8	*		00,010,100	
CIAC	26,898,154	120	26,898,154	-	26,898,154		26,898,154		26,898,154			26,898,154	
Amort of CIAC	4,037,526	(a)	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)	98,812,595	68,015,758		166,828,353	
ADD:		• • •		,,,			.02,0.0,002	(0,002,101)	00,012,000	00,010,700		100,020,303	
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		(100,100)	825,124	
Prepaid Exprenses	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	790	165	(€)	86			.000		20,010			00,040	
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:		()	,,			(.,o= .,oo. /	10,200,101		10,200,401		(155,455)	10,104,004	
Customer Advances	84,000	828	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	0.00	12,920,917	₩.	12,920,917		12,920,917		12,920,917			12,920,917	
Deferred Tax Liability	855,191	1000	855,191	*	855,191		855,191		855,191			855,191	
Unamort ITC	784,440	120	784,440		784,440		784,440		784,440			784,440	
Deferred Rental Credits	105,550	(6)	105,550	828,000	933,550		933,550		933,550			933,550	
Unfunded FAS 106 and 158 Costs	1,135,245	16	1,135,245		1,135,245		1,135,245		1,135,245			1,135,245	
	16,024,099	V.E.	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)	92,219,994	68,015,758	(155,433)	160,080,318	
DEDUCT: Equity Related Assets		(saless)	, x, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2,		,	(ilon ilon)	20,100,401	foleoxi-res l	Unit 10,004	00,010,700	(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)	92,219,994	68,015,758	(111,476,093)	48,759,659	

^{1.} Includes the elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation

Docket No. DW 11-026

Exhibit BJH (Supp)-1

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Schedule 3 Attachment A Nashua Acquisition 6/30/2011

Final Adjustment DW 10-091 CBFRR
w/ MARA
Pro Forma
Adjustments

\$ (52,553,720)

\$ (68,015,758)

\$ (120,569,478)

4,248,818

5,000,000

(155, 433)

CASH WORKING CAPITAL

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

Pennichuck Water Works Inc

Pro Forma Adjustments to Rate Base

For The Twelve Months Ended December 31, 2009

(1,260,610) 12.33%

EQUITY DEDUCTION

To deduct pro rata share of assets associated with commom 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:

1	٥.		_	_	e

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%
	 \$108,524,286	100.00%

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

\$ (3,562,467)

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Re: City of Nashua Acquisition of Pennichuck Corporation

Docket No. DW 11-026 Exhibit BJH (Supp)-1 Page 8 of 9

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

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

For the Twelve Months Ended December 31, 2009

			sautomorphism a	6.74	NASHUA ACQUISITION - CBFRR													
Capital Component	Filed <u>Amount</u>	DW10-091, Adjustment	OCA 3-1 Final Rate Order	MARA Adjustment	RSF Adjustment	CBFRR Adjustment	Adjusted Amount	Component Ratio	Component Cost Rate	Weighted Average Cost Rate								
Long-term Debt	\$ 51,855,007	\$ (2,301,100) \$	49,553,907				\$ 49,553,907	92.10%	6.04%	5.56%								
Short-term Debt	-		5					0.00%	0.00%	0.00%								
Preferred Stock	ê		<u>.</u>				· **	0.00%	0.00%	0.00%								
Common Equity	52,553,720	\$	<mark>52,553,720</mark>	\$ 68,015,758	\$ 4,248,818	\$ (120,569,478)	1 <u>\$ 4,248,818</u> 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

CBFRR Pro Forma Adjustment

7.98% -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).

Re: City of Nashua Acquisition of Pennichuck Corporation

Docket No. DW 11 -026

Exhibit BJH (Supp)-1

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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

	Original Filing				Outstanding Debt Funded		All in Annual Cost		Funded Effectve Rate
	Original Filing				\$	51,855,007	\$	3,077,604	5.94%
Reference Staff 2-22	SRF Step Additions Debt		Original 2,424,100	Revised 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

									City Bond Fixed Rev (CBF	Requirement
	1	EST YEAR		RO FORMA JUSTMENTS (1) (2)	PRO	FORMA TEST YEAR	MBINED PRO ORMA TEST YEAR	ADJ	TY OF NASHUA USTMENTS FOR FRR APPROACH	Y OF NASHUA REVENUE EQUIREMENT
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				14	\$	6,233,736	\$ 6,233,736			\$ 4,697,559
ADD: City Bond Fixed Rever	nue F	Requirement ((Sche	dule A, Attach A)					\$1,490,115
ADD: NC Capital Surcharge	Reve	enue					\$ 295,242			\$ 295,242
Total Revenue:							\$ 6,528,978			\$ 6,482,916

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 Less: Rate Stabilization Reserve \$ 5,000,000

PEU Pro Rata Share (Sch 3, Attach A) 13.17%

Total PEU Pro Rata Share for City Bond Bond Interest Rate \$ 20,117,347 (1)

\$ 658,420 \$ 19,458,927 \$ 6.50%

Bond Period

\$1,490,115 (2)

Notes:

1101101		
(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%
	\$ 111,537,391	100.00%
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
	100.00%	\$ 157,011,440

(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

30 yrs

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

										СВ	FRR APPROACH W/	MAR	Α
,	Account Number		NNICHUCK ST UTILITY, INC.	N	orth Country	ro Forma ljustments (1)	OMBINED EST YEAR	AD.	CITY OF NASHUA MARA JUSTMENT R BOOKS	A	TY OF NASHUA DJUSTMENTS FOR CBFRR APPROACH	СВ	TY OF NASHUA FRR 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					Č.	40,960
Total Revenues			5,037,925		947,769	(295,242)	5,690,452			\$	(1,490,115)		4,200,337
Production Expenses	601 to 652 660 to 678 &		1,137,272		221,083		1,358,356						1,358,356
Transmission & Distribution Expense	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) Amortization Expense: CIAC	403/406 405		579,015 (157,454)		122,593 (11,864)	(111,791) 382	589,817 (168,936)				(151,448) (3)		438,369 (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		-				1						•
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	\$ (<mark>117,412</mark>)	\$ 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

> Pro Forma Adjustments

	_						Adjustments
1	Revenue						
	To recognize adjustment of fixed annual revenue						
	requirement to meet City Bond obligation.						
	Total City Bond Bond Interest Rate		\$	157,011,440			
	Bond Period			6.50%			
	Calculated pro rata for City Bond based on a			30	yrs.		
	constant payment and a constant bond rate.						
	Calculated as follows:						
	PEU Pro Rata Share				\$ 20,117,347		
	Less: Rate Stabilization Reserve		\$	5,000,000	\$ 20,117,547		
	PEU Pro Rata Share (Sch 3, Attach A)		•	13.17%			
			_	13.1770	\$ 658,420		
	Total PEU Pro Rata Share for City Bond				\$ 19,458,927		
	Bond Interest Rate				6.50%		
	Bond Period				30_	VES	
						y. o.	\$ 1,490,115
							+ 1,400,110
	Pro Rata Calculation as follows:						
	PWW Rate Base (DW10-091, Per Final Order)	•3	\$	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)		s	3,013,105	2.70%		
	,	i	S	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%	\$157,011,440		
2	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)		
	% 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 % Allocation to PEU			14.60%	(1,000)		\$ (168.806)
	% Allocation to PEU			14,00%	* (1,156,203)		\$ (168,806)
							\$ (256,736)
2	Amortization Expense						# (230,130)
3	To provide for amortization expense attributable to	\$ 19,458,927 (Sch 1, Ath A)	2	12.543.506			
	MARA based on rate and principal payment	6,915,421 (Sch 4)	340	30			
	Year One Amortization Expense	\$ 12,543,506		6.50%			\$145,222
	Total One Amortization Expense	Ψ 12,040,000	_	0.0070			
4	Depreciation Expense						
•	To eliminate depreciation expense for equity related						
	assets purchased with City bond as part of the closing		\$	6,915,421	(Sch 4)		
	transaction at a composite depreciation rates of 2.19%.			2.19%			\$ 151,448
5	Income Taxes						
	To record income taxes as a result of pro forma		\$	(1,081,931)			
	adjustments to income statement. (Sch 1)			39.61%			\$ (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, 200

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

						CBFRR APPROACH W/MARA					
Description	ENNICHUCK ST UTILITY, INC.	No	orth Country	ro Forma justments (1)	COMBINED TEST YEAR	FOF	CITY JUSTMENTS R PEU'S PRO A SHARE OF MARA	PRO FORMA NASHUA ACQUISITION ADJUSTMENTS			RMA NASHUA SE FOR PEU
Plant in Service	\$ 38,774,582	\$	5,705,899	\$ (4,550,906)	\$ 39,929,575				\$	5	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) Accum Amort MARA Adj	ŝ						12,543,506				12,543,506
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:							0 4 1				
Customer Advances	56				(=)						*
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				26,802,760
DEDUCT: Equity Related Assets								\$ (19,458,927)			(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

	Pro Forma Adjustments
1 CASH WORKING CAPITAL To reduce working capital as a result of O&M (256,736) pro forma adjustments. (Schedule 1) 12.33%	\$ (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 Share13.17%	
Total PEU Pro Rata Share for City Bond	\$ 658,420

(1) Pro Rata Calcualtion 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%
	\$ 108,524,286	100.00%

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												
Capital Component	Pro	o Forma Test Year		MARA Adjustment	Ad	RSF ljustment	_	CBFRR Adjustment			Adjusted Amount		Component Ratio	Component Cost Rate	Weighted Average Cost Rate
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	7	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

		8	DW10-090, OCA 3-1 DW10-090, STAFF 3-5											City Bond Fixed Revenue Requirement (CBFRR)			Requirement		
		O FORMA ST YEAR	RE	OPOSED DATA QUESTS JUSTME NTS	F	12 MONTHS WITH PROPOSED DJUSTMENTS 12/31/09	P	EP INCREASE RO FORMA JUSTMENTS	F	COMBINED PRO FORMA & STEP CREASE FORMA TEST YEAR		¹ Final djustment W 10-090		nal Rate Order N 10-090	ADJUS FOR	NASHUATMENTS CBFRR COACH			OF NASHUA REVENUE QUIREMENT
Consolidated Rate Base	\$	1,962,038	\$	(61,125)	\$	1,900,913	\$	112,476	\$	2,013,389	\$	(7)	\$ 2	2,013,382	(\$965,565	6)		\$1,047,817
RATE of Return		7.60%				7.60%				7.60%				7.60%		-1.84%	6		5.75%
Income Required	\$	149,023			\$	144,380			\$	152,923			\$	152,922			5	\$	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			5	\$	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			5	\$	123,386
Water Revenues	\$	607,133	\$	126	\$	607,259		(2)	\$	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	\$	728,461	en E	3	\$	714,945		3	\$	735,106		:	\$	732,581			3	\$	520,710
ADD: City Bond Fixed R	leve	nue Requi	rem	ent (Schedi	ule A	A, Attach A)													\$209,936
Total Revenue:																	_	\$	730,645

^{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

Revenue		<u>Adjustments</u>
To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation. Total City Bond Bond Interest Rate Bond Period	\$ 157,011,440 (1) 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,Attach A) Total PAC Pro Rata Share for City Bond Bond Interest Rate Bond Period	\$ 5,000,000 1.86% \$ 92,762 \$ 2,741,481 6.50% 30 yrs	\$209,936 (2)
Notes:	5	
(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% \$ 111,537,391 100.00%	
	\$ 111,557,591 100.00%	
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	
	100.00% \$ 157,011,440	

(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

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

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

			DW10-090, OCA 3-1			DW10-09	0, OCA 3-1				CBFRR APPROACH W/MARA				
	12	FORMA MONTHS 2/31/09	PROPOSED D REQUEST ADJUSTMEN	S	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 DW 10-		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		\$ 60	07,259		(\$209,936)	\$ 397,324		
Other Operating Revenue		5,429		- 2	5,429	75	5,429		.000	5,429			5,429		
Total Revenues		612,562		126	612,688	(*	612,688		61	12,688	*	(209,936)	402,753		
Production Expenses		86,392		2	86,392	196	86,392		8	86,392			86,392		
Transmission & Distribution Expenses		52,376		-	52,376	75 - 2	52,376			52,376			52,376		
Customer Acct & Collection Exp		19,953		92	19,953	0.00	19,953		•	19,953			19,953		
Administrative & General Expense		61,371	(1	,364)	60,007		60,007		6	60,007			60,007		
Final Rate Order Adjustments								(1,524)		(1,524)					
Inter Div Management Fee		160,026		(238)	159,788	1945	159,788		16	59,788		(31,364)	128,424		
Total Operating Expense		380,118	(1	,602)	378,516	Ta .	378,516	(1,524)	37	76,992	12	(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)		2	(24,146)	2,000	(24,146))		24,146)		(21,100) (2	(24,146)		
Amortization Expense: MARA		, ,			(., -,		(= ·,· · · ·,	•	,		19,531	(19,531) (
Amortization Expense		4,458		-	4,458	-	4,458			4,458			4,458		
Property Taxes		81,437	(4	,225)	77,212	3,964	81,176		8	81,176			81,176		
Income Tax		8,857		,358	11,215	(2,382)	8,833			8,833		(59,998) (
Total Operating Deductions		156,691	(*	,867)	154,824	3,632	158,456	-	15	58,456	19,531	(106,629)	71,359		
Net Operating Income	\$	75,753	\$:	,595	\$ 79,348	\$ (3,632)	\$ 75,716	\$ 1,524	\$ 7	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

				0/30/2011
				Pro Forma
Revenue				Adjustments
 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:				
PAC Pro Rata Share			\$ 2,834,242	
Less: Rate Stabilization Reserve		\$ 5,000,000		
PAC Pro Rata Share (Sch 3,A)		1.86%	800 700	
Total DAO Day Date Chara for Oit Chara		10-	\$92,762	
Total PAC Pro Rata Share for City Bond			\$ 2,741,481	
Bond Interest Rate			6,50%	
Bond Period				
				\$ (209,936)
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%	
Construct Colp (Book Value 1201/2000)		\$ 111,537,391	100%	
		0 111,007,001	100.0	
PWW Rate Base (DW10-091, Per Staff 3-13)		82.68%	\$129,818,296	
PEU Rate Base (As of 12/31/09)			\$ 20.117.347	
PAC Rate Base (DW10-090, Per Staff 3-5)		1.81%	\$ 2,834,242	
Southwood Corp (Book Value 12/31/2009)			\$ 4,241,555	
, ,			\$157,011,440	
2 Management Fee				
Allocation from Corporate				
Professional Fees & Services			\$ (132,33	9)
D&O Insurance			(86,47	9)
Annual Report Cost			(24,96	5)
Auditors/SEC Legal Expense			(210,88	8)
Corp Governance Legal/AST			(32,05	
Directors Fees & Mtgs/Corp Secy			(25,05	2)
EDGAR Filing/NASDAQ & Other			(74,42	
% Allocation to PAC			1.80% * \$ (586,20	3) \$ (10,552)
Allocation from PWW				
Salaries			\$ (771,59	
Bonus			(28,50	
Benefits			(336,50	
Meetings & Conventions			(19,60	
Senior Management Vehicle % Allocation to Pac			1,80% * \$(1,156,20	
% Allocation to Pac			1,80% " \$(1,156,20	3) \$ (20,812)
Total Management Fee				\$ (31,364)
i Otal malia Sellient Lee				4 (31,304)
3 Depreciation Expense				
To eliminate depreciation expense for equity related assets				
purchased with City Bond as part of closing transaction		\$ (1,054,459)		
at a composite depreciation rate of 2.57%.		2.57%		\$ (27,100)
4 Amortization Expense				
To provide for amortization expense attributable to	\$ 2,741,481 (Sch 1, Ath A, Pg 1)	\$ 1,687,021		
MARA based on rate and principal payment	1,054,459 (Sch 4)	30		
	\$ 1,687,021	6.50%		\$ 19,531
•				_
5 Income Taxes				
To record income taxes as a result of pro forma		\$ (151,472)		4 (22.077)
adjustments to income statement		39.61%		\$ (59,998)

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

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (Supp)-3 Page 5 of 7

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

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

			DW10-09	0, OCA 3-1	DW10-0	190, OCA 3-1			СВІ	FRR APPROACH W/I	MARA	
Description		ro 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	CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA	PRO FORMA NASHUA ACQUISITION ADJUSTMENTS	NAS	O FORMA HUA RATE E 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	•	0,0 10,020	·	0,010,020	711,020	0,501,001	(7)				Ψ	(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								-				3.50
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:					02							
Working Cap		111,754	(61,125	50,629		50.629		50,629		(3,867)		46,762
Materials & Supplies		588	(01,120	588		588		50,629		(3,007)		46,762 588
Prepayments		7,797		7,797				7,797				7.797
Other & Deferred Charges		3,505		3,505				3,505				3,505
Carlot di Dototto Carlot goo	\$	123,644	\$ (61,125			\$ 62,519	\$ -		\$ -	\$ (3,867)	S	58,652
	Ť		, , ,	, ,				•		(-,)		,
DEDUCT:												
Customer Advances		-		9	(e			-				\$0
Customer Deposits				9				-				\$0
Deferred Income Tax		194,991	_	194,991		10-1,001		194,991				\$194,991
	\$	194,991	\$	\$ 194,991		\$ 194,991	\$ -	\$ 194,991	\$	\$ -	\$	194,991
TOTAL Data Data	-	4 000 000	* 104.401	1 000 040						. (0.007)		2 000 542
TOTAL Rate Base	-	1,962,038	\$ (61,125) \$ 1,900,913	\$ 112,476		a (7)	\$ 2,013,382	\$ 1,687,021		,	3,696,543
DEDUCT: Equity Related Assets				3						(2,741,481)		(2,741,481)
ADD: Rate Stabilization Cash Reserve Total Rate Base:	•	1,962,038	\$ (61,125) \$ 1,900,913	\$ 112,476	\$ 2,013,389	¢ /71	\$ 2,013,382	\$ 1,687,021	92,762 \$ (2,652,586)		92,762
TOTAL MALE DASE.	-	1,302,036	(01,125	7 \$ 1,500,513	112,476	a 2,013,369	3 (1)	2,013,302	3 1,007,021	\$ (£,032,300)		1,041,024

^{1.} Includes the elimination of MARA

	S
O	

PITTSFIELD AQUEDUCT COMPANY Pro Forma Adjustments to Rate Base For The Twelve Months Ended December 31, 2009	Pro Forma Adjustments to Rate Base					
				Pro Forma Adjustments		
CASH WORKING CAPITAL To reduce working capital as a result of O&M Expense pro forma adjustments (Schedule 1).	-	(\$31,364) 12.33%		\$ (3,867)		
2 EQUITY DEDUCTION To deduct pro rata share of assets associated with commom 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		÷ 02.752		
PAC Pro Rata Share		<u>1.86%</u> (1)		\$ 92,762		
(1) Pro Rata Calculation as follows:						
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%			

108,524,286

100.00%

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

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

	DW10-090			NASHUA ACQUISITION - CBFRR									
Capital Component	Pro Forma Test Year	Adjustment	Final Rate Order		MARA justmemt	RSF Adjustment		CBFRR Adjustment	Adjı	sted 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	2		20						\$		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 \$	(2,741,481)	\$	1,124,650	100.00%		5.75%

Original Filing 7.60% Proposed Adjustment -1.84%

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).