

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

Proposed Settlement  
COMBINED INCREASE  
Schedule A  
9/15/2011

	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	'Final Adjustment DW 10-091	Final Rate Order DW 10-091	Southwood Assets	Final Rate Order DW 10-091 & Southwood	City Bond Fixed Revenue Requirement (CBFRR)	
		PROPOSED DATA REQUESTS ADJUSTMENTS (1)	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS (1)	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	\$ 2,524,971	\$ 94,744,965	(\$1,833,420)	\$ 42,911,544
RATE of Return	7.86%	0.09%	7.95%		7.95%		7.95%	0.03%	7.98%		7.98%	-1.95%	6.04%
Income Required	\$ 7,677,233	\$ -	\$ 7,733,642		\$ 7,996,562		\$ 7,613,064		\$ 7,362,859		\$ 7,564,453		\$ 2,591,857
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	\$ -	\$ 5,623,182	(\$4,230,733)	\$ 1,392,449
Deficiency	\$ 2,364,374	\$ -	\$ 2,473,376		\$ 2,863,940		\$ 2,156,691		\$ 1,739,677		\$ 1,941,271		\$ 1,199,408
Tax Factor	60.39%		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	\$ 333,820	\$ 3,214,557		\$ 1,986,104
Water Revenues	\$ 24,116,426	\$ -	\$ 24,116,426	\$ -	\$ 24,116,426		\$ 24,116,426		\$ 24,116,426		\$ 24,116,426		\$ 14,279,803
Proposed Revenue Inc	16.23%		16.98%	2.68%	19.66%	-4.86%	14.81%	-2.86%	11.95%	1.38%	13.33%		8.24%
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>		<u>\$ 27,330,983</u>		\$ 16,265,907

ADD: City Bond Fixed  
Revenue Requirement  
(Schedule A, Attachment A)

\$9,836,623

Total City Revenue:

\$ 26,102,530

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

Proposed Settlement  
Schedule A  
Attachment A  
Nashua Acquisition  
9/15/2011

Pro Forma  
Adjustments

Revenue

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

Total City Bond \$152,099,885  
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	\$133,453,268 (1)
Less: Rate Stabilization Reserve	\$5,000,000
PWW Pro Rata Share (Sch 3A)	100.00%
Less: PWW Pro Rata Share of Rate Stabilization Reserve	\$5,000,000
Less: City Eminent Domain Cost Recovery	\$0
Total PWW Pro Rata Share for CBFRR/MARA	\$128,453,268
Bond Interest Rate	6.50%
Bond Period	30 yrs.
	<u>\$9,636,623 (2)</u>

Notes:

(1) Pro Rata Calculation as follows

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	<u>\$ 64,597,259</u>	<u>100.00%</u>

PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$2,522,512
Total City Bond	100.00%	<u>\$152,099,885</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)	\$9,886,493
PWW Pro Rata Share	87.74%
PWW Pro Rata Interest Benefit	\$8,674,462

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

Proposed Settlement  
Schedule 1  
Nashua Acquisition  
Pro Forma Adjustments  
9/15/2011

	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		(\$9,836,623)	\$ 14,279,803
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		(\$9,836,623)	14,644,437
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		(1,516,284) <sup>(3)</sup>	2,627,136
Amortization Expense:CIAC	(480,385)	-	(480,385)	-	(480,385)	-	(480,385)		(480,385)			(480,385)
Amortization Expense: MARA	-	-	-	-	-	-	-	-	-	830,974	(830,974) <sup>(4)</sup>	-
Amortization Expense	495,885	(1,696)	494,189	-	494,189	(536,100)	(41,911)		(41,911)		- <sup>(2)</sup>	(41,911)
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		(2,774,952) <sup>(1)</sup>	(1,184,207)
Total Operating Deductions	8,776,879	125,905	8,902,784	71,893	8,974,678	(323,751)	8,650,927	-	8,650,927	830,974	(5,176,254)	4,305,647
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	(830,974)	(\$3,399,759)	1,392,449

Notes:

(1) Pro Forma Income Taxes calculated as follows:

Total pro forma reduction in operating expenses	2,830,938
Total Proforma Revenue decrease	\$9,836,623
Total Proforma NOI before income tax	(7,005,685)
	39.61%
	(2,774,952) *

\*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 Not Operating Income**  
**For The Twelve Months Ended December 31, 2009**

**Proposed Settlement**  
**Schedule 1**  
**Attachment A**  
**Page 1**  
**Nashua Acquisition**  
**9/16/2011**

	<u>CBFRR</u> <u>Pro Forma</u> <u>Adjustments</u>	<u>CBFRR</u> <u>Pro Forma</u> <u>Adjustments</u>		
<b>Revenue</b>				
To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.				
Total City Bond	\$152,099,885			
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	\$133,453,268			
Less: Rate Stabilization Reserve	\$5,000,000			
PWW Pro Rata Share (Sch 3A)	100.00%			
Less: PWW Pro Rata Share of Rate Stabilization Reserve	\$5,000,000			
Less: City Eminent Domain Cost Recovery	\$0			
Total PWW Pro Rata Share for CBFRR/MARA	\$128,453,268			
Bond Interest Rate	6.50%			
Bond Period	30 yrs			
		<u>\$9,836,623</u>		
<u>Pro Rata Calculation as follows:</u>				
PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%		
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%		
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%		
	<u>\$64,597,259</u>	<u>100.00%</u>		
PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$133,453,268		
PEU % CBFRR based on pro rata equity	10.60%	\$16,124,105		
PAC % CBFRR based on pro rata equity	1.66%	\$2,522,512		
Total City Bond	100.00%	<u>\$152,099,885</u>		
<b>Administrative and General</b>				
Admin	\$ (238,596)			
Officers	\$ (733,000)			
City Appointed CEO	\$ 200,000	\$ (771,596)		
<b>Bonus:</b>				
Admin	\$ (7,000)			
Officers	\$ (36,500)			
City Appointed CEO	\$ 15,000	\$ (28,500)		
<b>Benefits:</b>				
	<u>Reduction</u>	<u>City Appointed</u>		
	<u>CEO</u>			
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)
<b>Meetings &amp; Conventions:</b>			\$ (19,600)	
<b>Senior Management Vehicle:</b>			\$ (1,000)	
<b>Memberships:</b>			\$ (22,466)	
Total Administrative and General			<u>\$ (1,179,689)</u>	
Less Payroll Taxes			<u>\$ 54,044</u>	
Total Administrative and General			<u>\$ (1,125,625)</u>	

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

Proposed Settlement  
Schedule 1  
Attachment A  
Page 2  
Nashua Acquisition  
9/15/2011

		Pro Forma Adjustments	
<b>Management Fee</b>			
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% *	<u>\$ (586,203)</u>	\$ (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% *	<u>(1,156,203)</u>	\$ 304,081
<b>Total Management Fee</b>			<u>\$ (134,985)</u>
<b>Note:</b>			
*Management fee allocation based on current percentage allocation.			
<b>Depreciation Expense</b>			
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%.			
		<u>54,153,016</u> (1)	
		2.80%	<u>\$ (1,516,284)</u>
<b>Amortization Expense</b>			
To provide for amortization expense on City Eminent Domain Costs as follows:			
City Eminent Domain Costs		<u>\$0</u>	
Amortization Period years		<u>30</u>	<u>\$ -</u>
<b>Amortization Expense</b>			
To provide for amortization expense attributable to MARA based on rate and principal payment		\$128,453,268 (Sch 1, Ath A, Pg 1)	\$71,775,281
Year One Amortization Expense		<u>56,677,987 (Sch 4)</u>	<u>30</u>
		<u>\$71,775,281</u>	<u>6.50%</u>
			<u>\$830,974</u>
<b>Income Taxes</b>			
To record income taxes as a result of pro forma adjustments to income statement.			<u>\$ (2,774,952)</u>
<b>FINAL RATE ORDER NOI ADJUSTMENTS</b>			
To record final adjustments to Net Operating Income as approved in Rate Order DW10-091			<u>\$ (166,809)</u>

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

Proposed Settlement  
Schedule 3  
Nashua Acquisition  
Pro Forma Adjustments  
9/15/2011

Description	DW10-091, OCA 3-1			DW10-091, STAFF 3-13		LESS EMINENT DOMAIN			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	Final Adjustment DW 10-091	Southwood Assets	Final Rate Order DW 10-091 & Southwood	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)	2,524,971	(1,037,496)			(1,037,496)
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)	-	-	-	-	-	-	-			-	71,775,281		71,775,281
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)	2,524,971	101,337,566	71,775,281	-	173,112,847
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 105 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)	2,524,971	94,744,965	71,775,281	(155,433)	166,364,812
DEDUCT: Equity Related Assets + MARA												(128,453,268)	1
ADD: City Eminent Domain Cost Recovery													(128,453,268)
ADD: Rate Stabilization Cash Reserve												5,000,000	5,000,000
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)	2,524,971	94,744,965	71,775,281	(123,608,701)	42,911,544

1. Includes the elimination of MARA

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

**Proposed Settlement  
Schedule 3  
Attachment A  
Nashua Acquisition  
9/15/2011**

<b>Final Adjustment DW 10-091</b>	<b>CBFRR w/ MARA Pro Forma Adjustments</b>
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**CASH WORKING CAPITAL**

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

\$ (155,433)

**EQUITY DEDUCTION**

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

\$ (56,677,987)

To deduct all equity value associated with MARA

\$ (71,775,281)

Total Equity Deduction

\$ (128,453,268)

**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 (1)
PWW Pro Rata Share	<u>100.00%</u>
Total PWW Pro Rata Share for City Bond	

\$ 5,000,000

**(1) Pro Rata Calculation as follows:**

**Rate Base**

PWW (DW10-091, Per Final Order)	\$ 56,677,987	100.00%
PEU (As of 12/31/2009)	\$ 6,847,954	0.00%
PAC (DW10-091, Per Final Order)	\$ 1,071,318	0.00%
	<u>\$64,597,259</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

\$ (3,562,467)

Pennichuck Water Works, Inc.  
Overall Rate of Return

Proposed Settlement  
Schedule 4  
Pro Forma Adjustments  
9/15/2011

For the Twelve Months Ended December 31, 2009

NASHUA ACQUISITION - CBFRR										
Capital Component	Filed Amount	DW10-091, OCA 3-1		MARA Adjustment	RSF Adjustment	CBFRR Adjustment	Adjusted Amount	Component Ratio	Component Cost Rate	Weighted Average Cost Rate
		Adjustment	Final Rate Order							
Long-term Debt	\$ 51,855,007	\$ (2,301,100)	\$ 49,553,907				\$ 49,553,907	100.00%	6.04%	6.04%
Short-term Debt	-		-				-	0.00%	0.00%	0.00%
Preferred Stock	-		-				-	0.00%	0.00%	0.00%
Common Equity	56,677,987		\$ 56,677,987	\$ 71,775,281	\$ -	\$ (128,453,268) <sup>1</sup>	\$ -	0.00%	7.19% <sup>2</sup>	0.00%
Overall Rate of Return	\$ 108,532,994	\$ (2,301,100)	\$ 106,231,894	\$ 71,775,281	\$ -	\$ (128,453,268)	\$ 49,553,907	100.00%		6.04%
Final Rate Order - DW10-091										7.98%
CBFRR Pro Forma Adjustment										-1.95%

Notes:

- <sup>1</sup> To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.
- <sup>2</sup> The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.



**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
<b>Original Filing</b>				\$ 51,855,007	\$ 3,077,604	5.94%
<b>Reference Staff 2-22</b>	SRF Step Additions Debt	<u>Original</u> 2,424,100	<u>Revised</u> 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				<u>\$ (2,301,100)</u>		

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

**Proposed Settlement  
Schedule A**

					City Bond Fixed Revenue Requirement (CBFRR)	
TEST YEAR	PRO FORMA ADJUSTMENTS (1) (2)	PRO FORMA TEST YEAR	COMBINED PRO FORMA TEST YEAR	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	\$ (6,879,610)	\$ 7,411,300
RATE of Return	7.60%		7.60%	7.60%	-2.93%	4.67%
Income Required	\$ 1,439,244		\$ 1,086,109	\$ 1,086,109		\$ 346,108
Adjusted NOI	\$ 911,114	\$ (177,830)	\$ 733,284	\$ 733,284	\$ (500,051)	\$ 233,233
Deficiency	\$ 528,130		\$ 352,825	\$ 352,825		\$ 112,875
Tax Factor	60.39%		60.39%	60.39%		60.39%
Revenue Deficiency	\$ 874,532		\$ 584,244	\$ 584,244		\$ 186,911
Water Revenues (2)	\$ 5,944,734	\$ (295,242)	\$ 5,649,492	\$ 5,649,492		\$ 4,414,749
Proposed Revenue Inc	14.71%		10.34%	10.34%		3.31%
Total Revenue			<u>\$ 6,233,736</u>	<u>\$ 6,233,736</u>		<u>\$ 4,601,660</u>
ADD: City Bond Fixed Revenue Requirement (Schedule A, Attach A)						\$1,234,743
ADD: NC Capital Surcharge Revenue			\$ 295,242			\$ 295,242
Total Revenue:			<u>\$ 6,528,978</u>			<u>\$ 6,131,645</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**

**Proposed Settlement**  
**Schedule A**  
**Attachment A**  
**Nashua Acquisition**

**Pro Forma**  
**Adjustments**

**1 Revenue**

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

Total City Bond \$ 152,099,885  
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	\$ 16,124,105 (1)	
Less: Rate Stabilization Reserve	\$ 5,000,000	
PEU Pro Rata Share (Sch 3, Attach A)	0.00%	
	\$ -	
Total PEU Pro Rata Share for City Bond	\$ 16,124,105	
Bond Interest Rate	6.50%	
Bond Period	30 yrs	\$1,234,743 (2)

**Notes:**

**(1) Pro Rata Calculation as follows:**

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	\$ 64,597,259	100.00%

PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$ 133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$ 16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$ 2,522,512
	100.00%	\$ 152,099,885

(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)	\$9,886,493
PEU Pro Rata Share	10.60%
PEU Pro Rata Interest Benefit	\$ 1,048,067

PEU @ 6.5%

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

Proposed Settlement  
Schedule 1  
Nashua Acquisition  
Pro Forma Adjustments

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	(\$1,234,743)	\$ 4,414,749
Other Operating Revenue	471	32,269	8,691		40,960		40,960
Total Revenues		5,037,925	947,769	(295,242)	5,690,452	\$ (1,234,743)	4,455,709
Production Expenses	601 to 652	1,137,272	221,083		1,358,356		1,358,356
	660 to 678 &						
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)	403/406	579,015	122,593	(111,791)	589,817	(149,970) (3)	439,847
Amortization Expense: CIAC	405	(157,454)	(11,864)	382	(168,936)		(168,936)
Amortization Expense: MARA					\$107,394	(107,394) (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	(327,985) (2)	(103,210)
Total Operating Deductions		\$ 1,253,099	\$ 112,976	\$ (117,412)	\$ 1,248,663	\$ (585,350)	\$ 770,708
Net Operating Income		\$ 818,460	\$ 92,654	\$ (177,830)	\$ 733,284	\$ (107,394) \$ (392,657)	\$ 233,233

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	\$ (1,234,743)
Reduced operating expenses and deductions	\$ 406,706
NOI proforma adjustments before income taxes	\$ (828,036)
Income Taxes 39.61%	\$ (327,985) *

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

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

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

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

Proposed Settlement  
Schedule 1  
Attachment A  
Nashua Acquisition

Pro Forma  
Adjustments

1 Revenue

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

Total City Bond	\$ 152,099,885	
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	\$ 16,124,105	
Less: Rate Stabilization Reserve	\$ 5,000,000	
PEU Pro Rata Share (Sch 3, Attach A)	0.00%	
	\$ -	
Total PEU Pro Rata Share for City Bond	\$ 16,124,105	
Bond Interest Rate	6.50%	
Bond Period	30 yrs	

\$ 1,234,743

Pro Rata Calculation as follows:

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	\$ 64,597,259	100.00%

PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$ 133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$ 16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$ 2,522,512
	100.00%	\$ 152,099,885

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	(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	\$ 16,124,105 (Sch 1, Att A)	\$ 9,276,151	
	6,847,954 (Sch 4)	30	
Year One Amortization Expense	\$ 9,276,151	6.50%	\$ 107,384

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%.	\$ 6,847,954 (Sch 4)	
	2.19%	\$ 149,970

5 Income Taxes

To record income taxes as a result of pro forma adjustments to income statement. (Sch 1)	\$ (828,036)	
	39.61%	\$ (327,985)

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

Proposed Settlement  
Schedule 3  
Nashua Acquisition  
Pro Forma Adjustments

Description	CBFRR APPROACH W/MARA						
	PENNICHUCK EAST UTILITY, INC.	North Country	Pro Forma Adjustments (1)	COMBINED TEST YEAR	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)					9,276,151		9,276,151
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	9,276,151	-	26,447,848
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
<b>TOTAL Rate Base</b>	<b>\$ 13,631,630</b>	<b>\$ 5,305,794</b>	<b>\$ (4,646,514)</b>	<b>\$ 14,290,910</b>	<b>\$ 9,276,151</b>	<b>\$ (31,656)</b>	<b>\$ 23,535,405</b>
DEDUCT: Equity Related Assets						\$ (16,124,105) <sup>2</sup>	\$ (16,124,105)
ADD: Rate Stabilization Cash Reserve						\$ -	\$ -
<b>TOTAL Rate Base</b>	<b>\$ 13,631,630</b>	<b>\$ 5,305,794</b>	<b>\$ (4,646,514)</b>	<b>\$ 14,290,910</b>	<b>\$ 9,276,151</b>	<b>\$ (16,155,761)</b>	<b>\$ 7,411,300</b>

(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**

**Proposed Settlement**  
**Schedule 3**  
**Attachment A**  
**Nashua Acquisition**

**Pro Forma**  
**Adjustments**

**1 CASH WORKING CAPITAL**

To reduce working capital as a result of O&M  
pro forma adjustments. (Schedule 1)

(256,736)
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.

**\$ (6,847,954)**

To deduct all equity associated with MARA

**\$ (9,276,151)**

Total Equity Deduction

**\$ (16,124,105)**

**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	0.00%

Total PEU Pro Rata Share for City Bond

**\$ -**

**(1) Pro Rata Calculation as follows:**

**Rate Base**

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	100%
PEU Equity (8/31/2011)	\$ 6,847,954	0%
PAC Equity (8/31/2011)	\$ 1,071,318	0%
	<b>\$ 64,597,259</b>	<b>100.00%</b>

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

Proposed Settlement  
Schedule 4  
Nashua Acquisition  
Proposed Adjustments

NASHUA ACQUISITION - CBFRR								
Capital Component	Pro Forma Test Year	MARA Adjustment	RSF Adjustment	CBFRR Adjustment	Adjusted Amount	Component Ratio	Component Cost Rate	Weighted Average Cost Rate
Long-term Debt	\$7,856,291				\$7,856,291	100.00%	4.67%	4.67%
Short-term Debt	-				\$0	0.00%	0.00%	0.00%
Preferred Stock	-				\$0	0.00%	0.00%	0.00%
Common Equity	6,847,954	\$ 9,276,151	\$ -	\$ (16,124,105) <sup>1</sup>	-	0.00%	7.19% <sup>2</sup>	0.00%
Overall Rate of Return	\$ 14,704,245	\$ 9,276,151	\$ -	\$ (16,124,105)	\$ 7,856,291	100.00%		4.67%
Authorized ROR								7.60%
Proposed Adjustment								<u>-2.93%</u>

**Notes:**

- 1 To eliminate common and MARA equity purchased by City Bond as part of closing transaction.
- 2 The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.



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

Proposed Settlement  
COMBINED INCREASE  
Schedule A

	DW10-090, OCA 3-1				DW10-090, STAFF 3-5			City Bond Fixed Revenue Requirement (CBFRR)	
	PRO FORMA TEST YEAR	PROPOSED DATA REQUESTS ADJUSTMENTS (1)	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS (1)	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	<sup>1</sup> 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	(\$1,075,185)	\$938,196
RATE of Return	7.60%		7.60%		7.60%		7.60%	-2.20%	5.39%
Income Required	\$ 149,023		\$ 144,380		\$ 152,923		\$ 152,922	\$	50,601
Adjusted NOI	\$ 75,753	\$ 3,595	\$ 79,348	\$ (3,632)	\$ 75,716	\$ 1,524	\$ 77,240	(\$81,086)	(\$3,846)
Deficiency	\$ 73,270		\$ 65,032		\$ 77,207		\$ 75,682	\$	54,447
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	\$	90,158
Water Revenues	\$ 607,133	\$ 126	\$ 607,259	-	\$ 607,259		\$ 607,259	\$	414,092
Proposed Revenue Inc	19.98%		17.73%	3.32%	21.05%	-0.42%	20.63%		14.85%
Total Revenue	<u>\$ 728,461</u>		<u>\$ 714,945</u>		<u>\$ 735,106</u>		<u>\$ 732,581</u>		<u>\$ 504,250</u>
ADD: City Bond Fixed Revenue Requirement (Schedule A, Attach A)									\$193,167
Total Revenue:									<u>\$ 697,417</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**

**Proposed Settlement**  
**Schedule A**  
**Attachment A**  
**Nashua Acquisition**

**Pro Forma**  
**Adjustments**

**Revenue**

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

Total City Bond	\$ 152,099,885 (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	\$ 2,522,512	
Less: Rate Stabilization Reserve	\$ 5,000,000	
PAC Pro Rata Share (Sch 3, Attach A)	0.00%	
	\$0	
Total PAC Pro Rata Share for City Bond	\$ 2,522,512	
Bond Interest Rate	6.50%	
Bond Period	30 yrs	\$193,167 (2)

**Notes:**

(1) Pro Rata Calculation as follows:

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	\$ 64,597,259	100.00%

PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$ 133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$ 16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$ 2,522,512
	100.00%	\$ 152,099,885

- (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)	\$9,886,493
PAC Pro Rata Share	1.66%
PAC Pro Rata Interest Benefit	\$163,963

Proposed Settlement  
Schedule 1  
Nashua Acquisition  
Pro Forma Adjustments

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

	DW10-090, OCA 3-1		DW10-090, OCA 3-1		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	
	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					
Water Sales	\$ 607,133	\$ 126	\$ 607,259	\$ -	\$ 607,259		\$ 607,259			(\$193,167)	\$ 414,092	
Other Operating Revenue	5,429	-	5,429	-	5,429		5,429				5,429	
Total Revenues	612,562	126	612,688	-	612,688		612,688	-		(193,167)	419,521	
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			(27,533) (2)	60,603	
Amortization Expense:CIAC	(24,146)	-	(24,146)	-	(24,146)		(24,146)				(24,146)	
Amortization Expense: MARA								16,801		(16,801) (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			(53,185) (1)	(44,351)	
Total Operating Deductions	156,691	(1,867)	154,824	3,632	158,456	-	158,456	16,801		(97,519)	77,739	
Net Operating Income	\$ 75,753	\$ 3,595	\$ 79,348	\$ (3,632)	\$ 75,716	\$ 1,524	\$ 77,240	\$ (16,801)		(\$64,285)	(\$3,846)	

Notes:

(1) Pro Forma Income Taxes calculated as follows:

City Bond Revenue Requirement	\$ (193,167)
Reduced operating expenses and deductions	\$58,897
NOI proforma adjustments before income taxes	\$ (134,271)
Income Taxes	39.61% \$ (53,185) *

\* 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

**Proposed Settlement**  
**Schedule 1**  
**Attachment A**  
**Nashua Acquisition**

**Revenue**

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

Total City Bond	\$ 152,099,885	
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>		
PAC Pro Rata Share	\$ 2,522,512	
Less: Rate Stabilization Reserve	\$ 5,000,000	
PAC Pro Rata Share (Sch 3,A)	0.00%	
	\$0	
Total PAC Pro Rata Share for City Bond	\$ 2,522,512	
Bond Interest Rate	6.50%	
Bond Period	30 yrs	
		<u>\$193,167.50</u>

*Pro Rate Calculation as follows:*

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	\$ 64,597,259	100%
PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$ 133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$ 16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$ 2,522,512
	100.00%	\$ 152,099,885

**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 & Mlgs/Corp Secy  
EDGAR Filing/NASDAQ & Other  
% Allocation to PAC

	\$ (132,339)	
	(85,479)	
	(24,965)	
	(210,888)	
	(32,053)	
	(25,052)	
	(74,427)	
1.80% * \$ (585,203)	\$ (10,552)	

*Allocation from PWW*

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

	\$ (771,596)	
	(28,500)	
	(335,507)	
	(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%.

\$ (1,071,318)	
2.57%	<u>\$ (27,533)</u>

**4 Amortization Expense**

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

\$ 2,522,512 (Sch 1, Ath A, Pg 1)	\$ 1,451,194	
1,071,318 (Sch 4)	30	
\$ 1,451,194	6.50%	<u>\$ 16,801</u>

**5 Income Taxes**

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

\$ (134,271)	
39.61%	<u>\$ (53,185)</u>

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

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

Proposed Settlement  
Schedule 3  
Nashua Acquisition  
Pro Forma Adjustments

Description	DW10-090, OCA 3-1		DW10-090, OCA 3-1		CBFRR APPROACH W/MARA		CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA		PRO FORMA NASHUA ACQUISITION ADJUSTMENTS		PRO FORMA NASHUA RATE BASE FOR PWW	
	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					
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)								1,451,194				1,451,194
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	\$ 1,451,194	\$ -	\$ -	\$ 3,597,054	
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	\$ 1,451,194	\$ (3,867)	\$ -	\$ 3,460,715	
DEDUCT: Equity Related Assets												
ADD: Rate Stabilization Cash Reserve												
Total Rate Base:	\$ 1,962,038	\$ (61,125)	\$ 1,900,913	\$ 112,476	\$ 2,013,389	\$ (7)	\$ 2,013,382	\$ 1,451,194	\$ (2,528,379)	\$ -	\$ 938,203	

1. Includes the elimination of MARA

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

**Proposed Settlement**  
**Schedule 3**  
**Attachment A**  
**Nashua Acquisition**

**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.

\$ (1,071,318)

To deduct all equity value associated with MARA

\$ (1,451,194)

Total Equity Deduction

\$ (2,522,512)

**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 0.00% (1)

\$ -

**(1) Pro Rata Calculation as follows:**

<b>Rate Base</b>			
PWW Rate Base (DW10-091, Per Final Order)	\$	56,677,987	100.00%
PEU Rate Base (12/31/2009)	\$	6,847,954	0.00%
PAC Rate Base (DW10-090), Per Final Order)	\$	1,071,318	0.00%
	\$	64,597,259	100.00%

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

Proposed Settlement  
Schedule 4  
Nashua Acquisition  
Pro Forma Adjustments

DW10-090				NASHUA ACQUISITION - CBFRR						
Capital Component	Pro Forma Test Year	Adjustment	Final Rate Order	MARA Adjustmentmt	RSF Adjustment	CBFRR Adjustment	Adjusted Amount	Component Ratio	Component Cost Rate	Weighted Average Cost Rate
Long-term Debt	776,850		776,850				\$ 776,850	75.28%	7.00%	5.27%
Short-term Debt	255,038		255,038				\$ 255,038	24.72%	0.50%	0.12%
Preferred Stock	-		-				\$ -	0.00%	0.00%	0.00%
Common Equity	1,071,318		1,071,318	\$ 1,451,194	\$0	\$ (2,522,512) <sup>1</sup>	\$ -	0.00%	7.19% <sup>2</sup>	0.00%
Overall Rate of Return	\$ 2,103,206		\$ 2,103,206	\$ 1,451,194	\$ -	\$ (2,522,512)	\$ 1,031,888	100.00%		5.39%
Original Filing										7.60%
Proposed Adjustment										-2.20%

Notes:

- <sup>1</sup> To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.
- <sup>2</sup> The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

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

Proposed Settlement  
COMBINED INCREASE  
Schedule A  
9/15/2011

	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	<sup>1</sup> Final Adjustment DW 10-091	Final Rate Order DW 10-091	Southwood Assets	Final Rate Order DW 10-091 & Southwood	City Bond Fixed Revenue Requirement (CBFRR)	
		PROPOSED DATA REQUESTS ADJUSTMENTS (1)	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS (1)	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	\$ 2,524,971	\$ 94,744,965	(\$1,833,420)	\$ 42,911,544
RATE of Return	7.85%	0.09%	7.95%		7.95%		7.95%	0.03%	7.98%		7.98%	-1.95%	6.04%
Income Required	\$ 7,677,233	\$ -	\$ 7,733,642		\$ 7,996,562		\$ 7,613,064		\$ 7,362,859		\$ 7,564,453		\$ 2,591,857
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	\$ -	\$ 5,623,182	(\$3,746,279)	\$ 1,876,903
Deficiency	\$ 2,364,374	\$ -	\$ 2,473,376		\$ 2,863,940		\$ 2,156,691		\$ 1,739,677		\$ 1,941,271		\$ 714,954
Tax Factor	60.39%		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	\$ 333,820	\$ 3,214,557		\$ 1,183,895
Water Revenues	\$ 24,116,426	\$ -	\$ 24,116,426	\$ -	\$ 24,116,426		\$ 24,116,426		\$ 24,116,426		\$ 24,116,426		\$ 15,082,011
Proposed Revenue Inc	16.23%		16.98%	2.68%	19.66%	-4.86%	14.81%	-2.86%	11.95%	1.38%	13.33%		4.91%
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>		<u>\$ 27,330,983</u>		\$ 16,265,906

ADD: City Bond Fixed  
Revenue Requirement  
(Schedule A, Attachment A)

\$9,034,414

Total City Revenue:

\$ 25,300,321

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

Proposed Settlement  
Schedule A  
Attachment A  
Nashua Acquisition  
9/15/2011

Pro Forma  
Adjustments

Revenue

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

Total City Bond	\$152,099,885
Bond Interest Rate	5.70%
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	\$133,453,268 <sup>(1)</sup>
Less: Rate Stabilization Reserve	\$5,000,000
PWW Pro Rata Share (Sch 3A)	100.00%
Less: PWW Pro Rata Share of Rate Stabilization Reserve	\$5,000,000
Less: City Eminent Domain Cost Recovery	\$0
Total PWW Pro Rata Share for CBFRR/MARA	\$128,453,268
Bond Interest Rate	5.70%
Bond Period	30 yrs.
	<u>\$9,034,414 <sup>(2)</sup></u>

Notes:

(1) Pro Rata Calculation as follows

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	<u>\$ 64,597,259</u>	<u>100.00%</u>

PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$16,124,105
PAC % CBFRR based on pro rata equity	1.66%	<u>\$2,522,512</u>
Total City Bond	100.00%	<u>\$152,099,885</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)	\$8,669,693
PWW Pro Rata Share	87.74%
PWW Pro Rata Interest Benefit	\$7,606,836

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

Proposed Settlement  
Schedule 1  
Nashua Acquisition  
Pro Forma Adjustments  
9/15/2011

	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		(\$9,034,414)	\$ 15,082,011
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		(\$9,034,414)	15,446,645
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		(1,516,284) <sup>(3)</sup>	2,627,136
Amortization Expense: CIAC	(480,385)	-	(480,385)	-	(480,385)	-	(480,385)		(480,385)			(480,385)
Amortization Expense: MARA	-	-	-	-	-	-	-	-	-	956,930	(956,930) <sup>(4)</sup>	-
Amortization Expense	495,885	(1,696)	494,189	-	494,189	(536,100)	(41,911)		(41,911)		- <sup>(2)</sup>	(41,911)
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		(2,457,197) <sup>(1)</sup>	(866,452)
Total Operating Deductions	8,776,879	125,905	8,902,784	71,893	8,974,678	(323,751)	8,650,927	-	8,650,927	956,930	(4,984,455)	4,623,401
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	(956,930)	(\$2,789,349)	1,876,902

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

2,830,938  
\$9,034,414  
(6,203,476)  
39.61% (2,457,197) \*

\*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**

**Proposed Settlement**  
**Schedule 1**  
**Attachment A**  
**Page 1**  
**Nashua Acquisition**  
**9/16/2011**

	CBFRR Pro Forma Adjustments	CBFRR Pro Forma Adjustments
<b>Revenue</b>		
To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.		
Total City Bond	\$152,099,885	
Bond Interest Rate	5.70%	
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	\$133,453,268	
Less: Rate Stabilization Reserve	\$5,000,000	
PWW Pro Rata Share (sen 3A)	100.00%	
Less: PWW Pro Rata Share of Rate Stabilization Reserve	\$5,000,000	
Less: City Eminent Domain Cost Recovery	\$0	
Total PWW Pro Rata Share for CBFRR/MARA	\$128,453,268	
Bond Interest Rate	5.70%	
Bond Period	30 yrs	
		\$9,034,414
<b>Pro Rata Calculation as follows:</b>		
PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	\$64,597,259	100.00%
PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$2,522,512
Total City Bond	100.00%	\$152,099,885
<b>Administrative and General</b>		
Admin	\$ (238,596)	
Officers	\$ (733,000)	
City Appointed CEO	\$ 200,000	\$ (771,596)
<b>Bonus:</b>		
Admin	\$ (7,000)	
Officers	\$ (36,500)	
City Appointed CEO	\$ 15,000	\$ (28,500)
<b>Benefits:</b>		
	Reduction	City Appointed CEO
Pension	\$ (153,000)	\$ 6,175 \$ (146,825)
401 K	\$ (24,894)	\$ 6,000 \$ (18,894)
Medical	\$ (82,532)	\$ 5,487 \$ (77,045)
Dental	\$ (8,232)	\$ 581 \$ (7,651)
Group Life/Disability	\$ (3,859)	\$ 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)
<b>Meetings &amp; Conventions:</b>		\$ (19,600)
<b>Senior Management Vehicle:</b>		\$ (1,000)
<b>Memberships:</b>		\$ (22,466)
Total Administrative and General		\$ (1,179,659)
Less Payroll Taxes		\$ 54,044
Total Administrative and General		\$ (1,126,626)

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

Proposed Settlement  
Schedule 1  
Attachment A  
Page 2  
Nashua Acquisition  
9/15/2011

			Pro Forma
			Adjustments
<b>Management Fee</b>			
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% *	<u>\$ (586,203)</u>	\$ (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% *	<u>(1,156,203)</u>	\$ 304,081
<b>Total Management Fee</b>			<u>\$ (134,985)</u>
<b>Note:</b>			
*Management fee allocation based on current percentage allocation.			
<b>Depreciation Expense</b>			
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%.			
		54,153,016 (1)	
		<u>2.80%</u>	<u>\$ (1,516,284)</u>
<b>Amortization Expense</b>			
To provide for amortization expense on City Eminent Domain Costs as follows:			
City Eminent Domain Costs		<u>\$0</u>	
Amortization Period years		<u>30</u>	<u>\$ -</u>
<b>Amortization Expense</b>			
To provide for amortization expense attributable to MARA based on rate and principal payment			
	\$128,453,268 (Sch 1, Ath A, Pg 1)	\$71,775,281	
Year One Amortization Expense	<u>56,677,987 (Sch 4)</u>	<u>30</u>	
	\$71,775,281	<u>5.70%</u>	<u>\$956,930</u>
<b>Income Taxes</b>			
To record income taxes as a result of pro forma adjustments to income statement.			
			<u>\$ (2,457,197)</u>
<b>FINAL RATE ORDER NOI ADJUSTMENTS</b>			
To record final adjustments to Net Operating Income as approved in Rate Order DW10-091			
			<u>\$ (166,809)</u>

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

Proposed Settlement  
Schedule 3  
Nashua Acquisition  
Pro Forma Adjustments  
9/15/2011

Description	DW10-091, OCA 3-1		DW10-091, STAFF 3-13		LESS EMINENT DOMAIN			Final Adjustment DW 10-091	Southwood Assets	Final Rate Order DW 10-091 & Southwood	CBFRR APPROACH W/MARA		
	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			157,170,503
Adjustment to Rate Base per Final Rate Order							(3,562,467)	2,524,971		(1,037,496)			(1,037,496)
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)	-	-	-	-	-	-				-	71,775,281		-
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)	2,524,971	101,337,566	71,775,281	-		173,112,847
ADD:												(155,433)	1,138,608
Working Cap	1,296,371	(9,203)	1,287,168	6,874	1,294,042	1,294,042				1,294,042			825,124
Materials & Supplies	825,124	-	825,124	-	825,124	825,124				825,124			391,159
Prepaid Expenses	391,159	-	391,159	-	391,159	391,159				391,159			55,545
Prepaid Property Taxes	55,545	-	55,545	-	55,545	55,545				55,545			-
Prepaid Income Taxes	-	-	-	-	-	-				-			7,693,628
Other & Deferred Charges	12,529,973	(11,438)	12,518,535	-	12,518,535	(4,824,907)	7,693,628			7,693,628			10,104,064
	15,098,172	(20,641)	15,077,531	6,874	15,084,405	(4,824,907)	10,259,497			10,259,497	-	(155,433)	16,852,099
DEDUCT:	-	-	-	-	-	-				-			138,756
Customer Advances	84,000	-	84,000	-	84,000	84,000				84,000			12,920,917
Customer deposits & other	138,756	-	138,756	-	138,756	138,756				138,756			855,191
Deferred Income Tax	12,920,917	-	12,920,917	-	12,920,917	12,920,917				12,920,917			784,440
Deferred Tax Liability	855,191	-	855,191	-	855,191	855,191				855,191			933,550
Unamort ITC	784,440	-	784,440	-	784,440	784,440				784,440			1,135,245
Deferred Rental Credits	105,550	-	105,550	828,000	933,550	933,550				933,550			16,852,099
Unfunded FAS 106 and 158 Costs	1,135,245	-	1,135,245	-	1,135,245	1,135,245				1,135,245			166,364,812
	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)	2,524,971	94,744,965	71,775,281	(128,453,268)	166,364,812
DEDUCT: Equity Related Assets + MARA												(128,453,268)	5,000,000
ADD: City Eminent Domain Cost Recovery												5,000,000	42,911,544
ADD: Rate Stabilization Cash Reserve												(123,608,701)	
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)	2,524,971	94,744,965	71,775,281		

1. Includes the elimination of MARA

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

**Proposed Settlement**  
**Schedule 3**  
**Attachment A**  
**Nashua Acquisition**  
**9/15/2011**

<u>Final Adjustment DW 10-091</u>	<u>CBFRR w/ MARA Pro Forma Adjustments</u>
<b>CASH WORKING CAPITAL</b>	
To reduce working capital as a result of O&M Expenses (1,260,610)	
Pro Forma Adjustments (Schedule 1). <u>12.33%</u>	<u>\$ (155,433)</u>
<b>EQUITY DEDUCTION</b>	
To deduct pro rata share of assets associated with common equity to be purchased by City Bonds at closing.	<u>\$ (56,677,987)</u>
To deduct all equity value associated with MARA	<u>\$ (71,775,281)</u>
Total Equity Deduction	<u>\$ (128,453,268)</u>
<b>RATE STABILIZATION CASH RESERVE</b>	
To establish a rate stabilization reserve for the three (3) regulated utilities at closing.	
Less: Rate Stabilization Reserve (Schedule 4) \$5,000,000 (1)	
PWW Pro Rata Share <u>100.00%</u>	
Total PWW Pro Rata Share for City Bond	<u>\$ 5,000,000</u>
<b>(1) Pro Rata Calculation as follows:</b>	
<b>Rate Base</b>	
PWW (DW10-091, Per Final Order) \$ 56,677,987 100.00%	
PEU (As of 12/31/2009) \$ 6,847,954 0.00%	
PAC (DW10-091, Per Final Order) \$ 1,071,318 0.00%	
<u>\$64,597,259 100.00%</u>	
<b>DEFERRED DEBITS</b>	
To provide for City Eminent Domain Costs that will be amortized over 30 years	<u>\$ -</u>
<b>FINAL RATE ORDER NOI ADJUSTMENTS</b>	
To record final adjustments to Rate Base as approved in Rate Order DW10-091	<u>\$ (3,562,467)</u>

Proposed Settlement

Schedule 4

Pro Forma Adjustments

9/15/2011

Pennichuck Water Works, Inc.  
Overall Rate of Return

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>Adjusted Amount</u>	<u>Component Ratio</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>					
Long-term Debt	\$ 51,855,007	\$ (2,301,100)	\$ 49,553,907					\$ 49,553,907	100.00%	6.04%	6.04%
Short-term Debt	-		-					-	0.00%	0.00%	0.00%
Preferred Stock	-		-					-	0.00%	0.00%	0.00%
Common Equity	56,677,987		\$ 56,677,987	\$ 71,775,281	\$ -	\$ (128,453,268)	<sup>1</sup>	\$ -	0.00%	7.19% <sup>2</sup>	0.00%
<b>Overall Rate of Return</b>	<b>\$ 108,532,994</b>	<b>\$ (2,301,100)</b>	<b>\$ 106,231,894</b>	<b>\$ 71,775,281</b>	<b>\$ -</b>	<b>\$ (128,453,268)</b>		<b>\$ 49,553,907</b>	<b>100.00%</b>		<b>6.04%</b>
Final Rate Order - DW10-091											7.98%
CBFRR Pro Forma Adjustment											-1.95%

Notes:

- <sup>1</sup> To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.
- <sup>2</sup> The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

**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**

					<b>Outstanding Debt Funded</b>	<b>All In Annual Cost</b>	<b>Funded Effective Rate</b>
<b>Original Filing</b>					\$ 51,855,007	\$ 3,077,604	5.94%
<b>Reference</b>			<u>Original</u>	<u>Revised</u>			
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					<u>\$ (2,301,100)</u>		



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

Proposed Settlement  
Schedule A  
9/15/2011

	City Bond Fixed Revenue Requirement (CBFRR)					
	TEST YEAR	PRO FORMA ADJUSTMENTS (1) (2)	PRO FORMA TEST YEAR	COMBINED PRO FORMA TEST YEAR	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	\$ (6,879,610)	\$ 7,411,300
RATE of Return	7.60%		7.60%	7.60%	-2.93%	4.67%
Income Required	\$ 1,439,244		\$ 1,086,109	\$ 1,086,109		\$ 346,108
Adjusted NOI	\$ 911,114	\$ (177,830)	\$ 733,284	\$ 733,284	\$ (439,240)	\$ 294,044
Deficiency	\$ 528,130		\$ 352,825	\$ 352,825		\$ 52,064
Tax Factor	60.39%		60.39%	60.39%		60.39%
Revenue Deficiency	\$ 874,532		\$ 584,244	\$ 584,244		\$ 86,213
Water Revenues (2)	\$ 5,944,734	\$ (295,242)	\$ 5,649,492	\$ 5,649,492		\$ 4,515,447
Proposed Revenue Inc	14.71%		10.34%	10.34%		1.53%
Total Revenue			<u>\$ 6,233,736</u>	<u>\$ 6,233,736</u>		<u>\$ 4,601,660</u>
ADD: City Bond Fixed Revenue Requirement (Schedule A, Attach A)						\$1,134,045
ADD: NC Capital Surcharge Revenue				\$ 295,242		\$ 295,242
Total Revenue:				<u>\$ 6,528,978</u>		<u>\$ 6,030,947</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**

**Proposed Settlement**  
**Schedule A**  
**Attachment A**  
**Nashua Acquisition**  
**9/15/2011**

**Pro Forma**  
**Adjustments**

**1 Revenue**

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

Total City Bond \$ 152,099,885  
Bond Interest Rate 5.70%  
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	\$ 16,124,105 (1)	
Less: Rate Stabilization Reserve	\$ 5,000,000	
PEU Pro Rata Share (Sch 3, Attach A)	0.00%	
	\$ -	
Total PEU Pro Rata Share for City Bond	\$ 16,124,105	
Bond Interest Rate	5.70%	
Bond Period	30 yrs	
		<u>\$1,134,045 (2)</u>

**Notes:**

**(1) Pro Rata Calculation as follows:**

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	<u>\$ 64,597,259</u>	<u>100.00%</u>

PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$ 133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$ 16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$ 2,522,512
	<u>100.00%</u>	<u>\$ 152,099,885</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)	\$8,669,693
PEU Pro Rata Share	10.60%
PEU Pro Rata Interest Benefit	\$ 919,074

PEU @ 5.7%

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

Proposed Settlement  
Schedule 1  
Nashua Acquisition  
Pro Forma Adjustments  
9/15/2011

CBFRR APPROACH W/MARA							
Account Number	PENNICHUCK EAST UTILITY, INC.	North Country	Pro Forma Adjustments (1)	COMBINED TEST YEAR	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	(\$1,134,045)	\$ 4,515,447
Other Operating Revenue	471	32,269	8,691	40,960			40,960
Total Revenues		5,037,925	947,769	(295,242)	5,690,452	\$ (1,134,045)	4,556,407
Production Expenses	601 to 652	1,137,272	221,083		1,358,356		1,358,356
	660 to 678 &						
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)	403/406	579,015	122,593	(111,791)	589,817	(149,970) (3)	439,847
Amortization Expense: CIAC	405	(157,454)	(11,864)	382	(168,936)		(168,936)
Amortization Expense: MARA					\$123,672	(123,672) (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	(288,099) (2)	(63,324)
Total Operating Deductions		\$ 1,253,099	\$ 112,976	\$ (117,412)	\$ 1,248,663	\$ (561,742)	\$ 810,594
Net Operating Income		\$ 818,460	\$ 92,654	\$ (177,830)	\$ 733,284	\$ (123,672)	\$ (315,568)
							\$ 294,044

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	\$ (1,134,045)
Reduced operating expenses and deductions	\$ 406,706
NOI proforma adjustments before income taxes	\$ (727,339)
Income Taxes	39.61% \$ (288,099) *

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

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

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

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

Proposed Settlement  
Schedule 1  
Attachment A  
Nashua Acquisition  
9/15/2011

Pro Forma  
Adjustments

1 Revenue

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

Total City Bond	\$ 152,099,885	
Bond Interest Rate	5.70%	
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	\$ 16,124,105	
Less: Rate Stabilization Reserve	\$ 5,000,000	
PEU Pro Rata Share (Sch 3, Attach A)	0.00%	
	\$ -	
Total PEU Pro Rata Share for City Bond	\$ 16,124,105	
Bond Interest Rate	5.70%	
Bond Period	30 yrs.	
	\$ 1,134,045	

Pro Rata Calculation as follows:

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	\$ 64,597,259	100.00%

PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$ 133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$ 16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$ 2,522,512
	100.00%	\$ 152,099,885

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	(1,000)	
% Allocation to PEU	14.60% * (1,156,203)	\$ (168,806)
		\$ (256,736)

3 Amortization Expense

To provide for amortization expense attributable to	\$ 16,124,105 (Sch 1, Ath A)	\$ 9,276,151
MARA based on rate and principal payment	6,847,954 (Sch 4)	30
Year One Amortization Expense	\$ 9,276,151	5.70%
		\$ 123,672

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%.	\$ 6,847,954 (Sch 4)	
	2.19%	\$ 149,970

5 Income Taxes

To record income taxes as a result of pro forma adjustments to income statement. (Sch 1)	\$ (727,339)	
	39.61%	\$ (288,099)

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

Proposed Settlement  
Schedule 3  
Nashua Acquisition  
Pro Forma Adjustments  
9/15/2011

Description	CBFRR APPROACH W/MARA						
	PENNICHUCK EAST UTILITY, INC.	North Country	Pro Forma Adjustments (1)	COMBINED TEST YEAR	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)					9,276,151		9,276,151
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	9,276,151	-	26,447,848
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
<b>TOTAL Rate Base</b>	<b>\$ 13,631,630</b>	<b>\$ 5,305,794</b>	<b>\$ (4,646,514)</b>	<b>\$ 14,290,910</b>	<b>\$ 9,276,151</b>	<b>\$ (31,656)</b>	<b>\$ 23,535,405</b>
DEDUCT: Equity Related Assets						\$ (16,124,105) <sup>2</sup>	\$ (16,124,105)
ADD: Rate Stabilization Cash Reserve						\$ -	\$ -
<b>TOTAL Rate Base</b>	<b>\$ 13,631,630</b>	<b>\$ 5,305,794</b>	<b>\$ (4,646,514)</b>	<b>\$ 14,290,910</b>	<b>\$ 9,276,151</b>	<b>\$ (16,155,761)</b>	<b>\$ 7,411,300</b>

(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**

**Proposed Settlement**  
**Schedule 3**  
**Attachment A**  
**Nashua Acquisition**  
**9/15/2011**

**Pro Forma**  
**Adjustments**

**1 CASH WORKING CAPITAL**

To reduce working capital as a result of O&M  
pro forma adjustments. (Schedule 1)

(256,736)
<u>12.33%</u>

\$	<u>(31,656)</u>
----	-----------------

**2 EQUITY DEDUCTION**

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

\$	(6,847,954)
----	-------------

To deduct all equity associated with MARA

\$	(9,276,151)
----	-------------

Total Equity Deduction

\$	<u>(16,124,105)</u>
----	---------------------

**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		<u>0.00%</u>

Total PEU Pro Rata Share for City Bond

\$	<u>-</u>
----	----------

*(1) Pro Rata Calculation as follows:*

**Rate Base**

PWW & Southwood Equity (8/31/2011)	\$	56,677,987	100%
PEU Equity (8/31/2011)	\$	6,847,954	0%
PAC Equity (8/31/2011)	\$	1,071,318	0%
	\$	<u>64,597,259</u>	<u>100.00%</u>

PEU @ 5.7%

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

**Proposed Settlement**  
**Schedule 4**  
**Nashua Acquisition**  
**Proposed Adjustments**  
**9/15/2011**

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	100.00%	4.67%	4.67%
Short-term Debt	-				\$0	0.00%	0.00%	0.00%
Preferred Stock	-				\$0	0.00%	0.00%	0.00%
Common Equity	6,847,954	\$ 9,276,151	\$ -	\$ (16,124,105) <sup>1</sup>	-	0.00%	7.19% <sup>2</sup>	0.00%
<b>Overall Rate of Return</b>	<b>\$ 14,704,245</b>	<b>\$ 9,276,151</b>	<b>\$ -</b>	<b>\$ (16,124,105)</b>	<b>\$ 7,856,291</b>	<b>100.00%</b>		<b>4.67%</b>
<b>Authorized ROR</b>								<b>7.60%</b>
<b>Proposed Adjustment</b>								<b><u>-2.93%</u></b>

**Notes:**

- <sup>1</sup> To eliminate common and MARA equity purchased by City Bond as part of closing transaction.
- <sup>2</sup> The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.

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

Proposed Settlement  
COMBINED INCREASE  
Schedule A  
9/15/2011

PRO FORMA TEST YEAR	DW10-090, OCA 3-1		DW10-090, STAFF 3-5		City Bond Fixed Revenue Requirement (CBFRR)		CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH		CITY OF NASHUA REVENUE REQUIREMENT
	PROPOSED DATA REQUESTS ADJUSTMENTS (1)	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS (1)	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	<sup>1</sup> Final Adjustment DW 10-090	Final Rate Order DW 10-090			
Consolidated Rate Base	\$ 1,962,038	\$ (61,125)	\$ 1,900,913	\$ 112,476	\$ 2,013,389	\$ (7)	\$ 2,013,382	(\$1,075,185)	\$938,196
RATE of Return	7.60%		7.60%		7.60%		7.60%	-2.20%	5.39%
Income Required	\$ 149,023		\$ 144,380		\$ 152,923		\$ 152,922	\$	50,601
Adjusted NOI	\$ 75,753	\$ 3,595	\$ 79,348	\$ (3,632)	\$ 75,716	\$ 1,524	\$ 77,240	(\$71,573)	\$5,668
Deficiency	\$ 73,270		\$ 65,032		\$ 77,207		\$ 75,682	\$	44,933
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	\$	74,405
Water Revenues	\$ 607,133	\$ 126	\$ 607,259	-	\$ 607,259		\$ 607,259	\$	429,845
Proposed Revenue Inc	19.98%		17.73%	3.32%	21.05%	-0.42%	20.63%		12.25%
Total Revenue	<u>\$ 728,461</u>		<u>\$ 714,945</u>		<u>\$ 735,106</u>		<u>\$ 732,581</u>		<u>\$ 504,250</u>
ADD: City Bond Fixed Revenue Requirement (Schedule A, Attach A)									\$177,414
Total Revenue:									<u>\$ 681,664</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**

**Proposed Settlement**  
**Schedule A**  
**Attachment A**  
**Nashua Acquisition**  
**9/15/2011**

**Pro Forma**  
**Adjustments**

**Revenue**

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

Total City Bond	\$ 152,099,885 (1)
Bond Interest Rate	5.70%
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	\$	2,522,512	
Less: Rate Stabilization Reserve	\$	5,000,000	
PAC Pro Rata Share (Sch 3, Attach A)		0.00%	
		\$0	
Total PAC Pro Rata Share for City Bond	\$	2,522,512	
Bond Interest Rate		5.70%	
Bond Period		30 yrs	\$177,414 (2)

**Notes:**

(1) Pro Rata Calculation as follows:

PWW & Southwood Equity (8/31/2011)	\$	56,677,987	87.74%
PEU Equity (8/31/2011)	\$	6,847,954	10.60%
PAC Equity (8/31/2011)	\$	1,071,318	1.66%
	\$	64,597,259	100.00%
PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$	133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$	16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$	2,522,512
	100.00%	\$	152,099,885

- (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)	\$8,669,693
PAC Pro Rata Share	1.66%
PAC Pro Rata Interest Benefit	\$143,783

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

**Proposed Settlement**  
**Schedule 1**  
**Nashua Acquisition**  
**Pro Forma Adjustments**  
9/15/2011

	DW10-090, OCA 3-1		DW10-090, OCA 3-1		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	
	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					
Water Sales	\$ 607,133	\$ 126	\$ 607,259	\$ -	\$ 607,259		\$ 607,259			(\$177,414)	\$ 429,845	
Other Operating Revenue	5,429	-	5,429	-	5,429		5,429				5,429	
Total Revenues	612,562	126	612,688	-	612,688		612,688	-	(177,414)		435,274	
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		(27,533) (2)		60,603	
Amortization Expense: CIAC	(24,146)	-	(24,146)	-	(24,146)		(24,146)				(24,146)	
Amortization Expense: MARA								19,348	(19,348) (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		(46,945) (1)		(38,111)	
Total Operating Deductions	156,691	(1,867)	154,824	3,632	158,456	-	158,456	19,348	(93,825)		83,979	
Net Operating Income	\$ 75,753	\$ 3,595	\$ 79,348	\$ (3,632)	\$ 75,716	\$ 1,524	\$ 77,240	\$ (19,348)	(\$52,225)		\$5,668	

**Notes:**

(1) Pro Forma Income Taxes calculated as follows:

City Bond Revenue Requirement	\$ (177,414)
Reduced operating expenses and deductions	\$58,897
NOI proforma adjustments before income taxes	\$ (118,517)
Income Taxes	39.61% \$ (46,945) *

\* 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**

**Proposed Settlement**  
**Schedule 1**  
**Attachment A**  
**Nashua Acquisition**  
**9/15/2011**

**Pro Forma**  
**Adjustments**

**Revenue**

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

Total City Bond	\$ 152,099,885
Bond Interest Rate	5.70%
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	\$ 2,522,512
Less: Rate Stabilization Reserve	\$ 5,000,000
PAC Pro Rata Share (Sch 3.A)	0.00%
	\$0
Total PAC Pro Rata Share for City Bond	\$ 2,522,512
Bond Interest Rate	5.70%
Bond Period	30 yrs

**\$177,414.06**

**Pro Rata Calculation as follows:**

PWW & Southwood Equity (8/31/2011)	\$ 56,677,987	87.74%
PEU Equity (8/31/2011)	\$ 6,847,954	10.60%
PAC Equity (8/31/2011)	\$ 1,071,318	1.66%
	\$ 64,597,259	100%
PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$ 133,453,268
PEU % CBFRR based on pro rata equity	10.60%	\$ 16,124,105
PAC % CBFRR based on pro rata equity	1.66%	\$ 2,522,512
	100.00%	\$ 152,099,885

**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 & Mgt/Corp Secy	(25,052)
EDGAR Filing/NASDAQ & Other	(74,427)
% Allocation to PAC	1.80% * \$ (586,203) \$ (10,552)

**Allocation from PWW**

Salaries	\$ (771,596)
Bonus	(28,500)
Benefits	(336,507)
Meetings & Conventions	(19,600)
Senior Management Vehicle	(1,000)
% Allocation to Pac	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%.

\$ (1,071,318)
2.57%
<b>\$ (27,533)</b>

**4 Amortization Expense**

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

\$ 2,522,512 (Sch 1, Ath A, Pg 1)	\$ 1,451,194
1,071,318 (Sch 4)	30
\$ 1,451,194	5.70%
	<b>\$ 19,348</b>

**5 Income Taxes**

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

\$ (118,517)
39.61%
<b>\$ (46,945)</b>

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

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

Proposed Settlement  
Schedule 3  
Nashua Acquisition  
Pro Forma Adjustments  
9/15/2011

Description	DW10-090, OCA 3-1		DW10-090, OCA 3-1		CBFRR APPROACH W/MARA		CITY		PRO FORMA		PRO FORMA	
	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	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)								1,451,194		1,451,194		
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	\$ 1,451,194	\$ -	\$ 3,597,054		
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	\$ 1,451,194	\$ (3,867)	\$ 3,460,715		
DEDUCT: Equity Related Assets									(2,522,512) <sup>1</sup>	(2,522,512)		
ADD: Rate Stabilization Cash Reserve												
Total Rate Base:	\$ 1,962,038	\$ (61,125)	\$ 1,900,913	\$ 112,476	\$ 2,013,389	\$ (7)	\$ 2,013,382	\$ 1,451,194	\$ (2,526,379)	\$ 938,203		

1. Includes the elimination of MARA

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

**Proposed Settlement**  
**Schedule 3**  
**Attachment A**  
**Nashua Acquisition**  
**9/15/2011**

**Pro Forma**  
**Adjustments**

**1 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  
common equity to be purchased by City Bonds at  
closing.

\$ (1,071,318)

To deduct all equity value associated with MARA

\$ (1,451,194)

Total Equity Deduction

\$ (2,522,512)

**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 0.00% (1)

\$ -

**(1) Pro Rata Calculation as follows:**

<b>Rate Base</b>			
PWW Rate Base (DW10-091, Per Final Order)	\$	56,677,987	100.00%
PEU Rate Base (12/31/2009)	\$	6,847,954	0.00%
PAC Rate Base (DW10-090), Per Final Order)	\$	1,071,318	0.00%
	\$	64,597,259	100.00%

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

Proposed Settlement  
Schedule 4  
Nashua Acquisition  
Pro Forma Adjustments  
9/15/2011

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	75.28%	7.00%	5.27%
Short-term Debt	255,038		255,038				\$ 255,038	24.72%	0.50%	0.12%
Preferred Stock	-		-				\$ -	0.00%	0.00%	0.00%
Common Equity	1,071,318		1,071,318	\$ 1,451,194	\$0	\$ (2,522,512) <sup>1</sup>	\$ -	0.00%	7.19% <sup>2</sup>	0.00%
Overall Rate of Return	\$ 2,103,206		\$ 2,103,206	\$ 1,451,194	\$ -	\$ (2,522,512)	\$ 1,031,888	100.00%		5.39%
										Original Filing 7.60%
										Proposed Adjustment <u>-2.20%</u>

**Notes:**

- <sup>1</sup> To eliminate common and MARA equity purchased by City Bond as part of the closing transaction.
- <sup>2</sup> The component cost rate (allowed ROE) with respect to any Common Equity in any future rate case shall be equal to (i) the most recent 12-month average of thirty-year United States Treasury bond interest rates as derived from the Federal Reserve Statistical Release, H.15(519). "Selected Interest Rates", or a successor or equivalent publication, including the interest rate published on, or as close as possible after, a date four months following the proposed effective date of proposed changes in the utility's rates as set forth in the rate filing, plus (ii) 3.0%. As an example, the 12-month average including September 2011 was 4.19%, so the formula allowed ROE would be 7.19%.