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	DW10-09	1, OCA 3-1	DW10-091,	STAFF 3-13	_						City Bond Fixed Reve (CBFR	
	PRO FORMA TEST YEAR S 97.733.490		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	WITHOUT EMINENT DOMAIN COS RECOVERY		¹ Final Adjustment DW 10-091	Final Rate Order DW 10-091	Southwood Assets	Final Rate Order DW 10-091 & Southwood	ADJUSTMENTS FOR CREER	ITY OF NASHUA REVENUE REQUIREMENT
Consolidated Rate Base	\$	97,733,490	\$ (433,999)	\$ 97,299,491	\$ 3,307,877	\$ 100,607,368	\$ (4.824,9	07) \$ 95,782,461	\$ (3,562,467) S 92,219,994	\$ 2,524,971	\$ 94,744,965	(51,833,420) S	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	\$ -	S 7.733,642		\$ 7,996,562		\$ 7,613,064		\$ 7,362,859		\$ 7,564,453	s	2,591,857
Adjusted NOI	\$	5,312,859	\$ (52,593)	S 5,260,266	S (127,644)	\$ 5,132,622	\$ 323,7	51 \$ 5,456,373	\$ 166,809	\$ 5,623,182	\$ -	\$ 5,623,182	(\$4,230,733) S	1,392,449
Deficiency	\$	2,364,374	\$ -	\$ 2,473,376		\$ 2,863,940		\$ 2,156,691		S 1,739,677		S 1,941,271	s	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	s 4,742,408	S (1,171,1	36) \$ 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	s	14,279,803
Proposed Revenue Inc		16.23%		16.98%	2.68%	19,66%	-4.8	5% 14.81%	-2.86%	11.95%	1,38%	13.33%		8.24%
Total Revenue	\$	28,031,601	- -	\$ 28,212,098	<u>.</u>	\$ 28,858,834	-	\$ 27,687,698	-	\$ 26,997,163		\$ 27,330,983	\$	16,265,907

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

Total City Revenue:

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

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\$9,836,623

\$ 26,102,530

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 2 of 9

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

Revenue				Pro Forma Adjustments
To recognize adjustment of fixed annual revenue				
requirement to meet City Bond obligation.				
	\$152,099,885			
Bond Interest Rate				
Bond Period		VPS		
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	0.00,400,200	***	
PWW Pro Rata Share (Sch 3.A)				
Less: PWW Pro Rata Share of Rate Stabilization Reserve	100.00 %	\$5,000,000		
Less: City Eminent Domain Cost Recovery		er de la compressa de la compr		
Total PWW Pro Rata Share for CBERR/MARA				
Bond Interest Rate		\$128,453,268 6,50%		
Bond Period			yrs.	\$9,836,623 (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	1.65%		
	5 64,597,259	100,00%		
PWW & Southwood % CBFRR based on pro rata equity	87.74%	\$133,453,258		
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		

\$9,886,493 87.74% \$8,674,462

(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 (New one)

PWW Pro Rata Share

PWW Pro Rata Interest Benefit

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Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 3 of 9

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

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

	DW10-091, OCA 3-1 DW10-091, STAFF 3-13 LESS EMINENT DOMAIN								CBFRR APPROACH WIMARA				
	PRO FORMA 12 MONTHS 12/31/09	PROPOSED DATA REQUESTS ADJUSTMENTS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED TEST YEAR & STEP PRO FORMA TEST YEAR	WITHOUT EMINENT DOMAIN COSTS RECOVERY	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-091	Final Rate Order DW 10-091	CITY OF NASHUA MARA ADJUSTMENT PER BOOKS	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA CBFRR APPROACH REVENUE REQUIREMENT	
Water Sales	\$ 24,116,426	s -	\$ 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 Amortization Expense:CIAC	4,070,540 (480,385)	(7,888)	4,062,652 (480,385)	80,768	4,143,420 (480,385)		4,143,420 (480,385)		4,143,420 (480,385)		(1,516,284) (3	(480,385)	
Amortization Expense: MARA		-	-	-		-		-	-	830,974	(830,974) ⁽⁴		
Amortization Expense	495,885	(1,696)	494,189	-	494,189	(536,100	(41,911)		(41,911)		_ (2	(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) (1		
Total Operating Deductions	8,776,879	125,905	8,902,784	71,893	8,974,678	(323,751) 8,650,927	-	8,650,927	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 Total Proforma Revenue decrease Total Proforma NOI before income tax 2,830,938 \$9,836,623 (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 Menths Ended December 31, 2009

Proposed Settlement Schedule 1 Attachment A Page 1 Nashua Acquisition

							Nashu	a Acquisition 9/16/2011
				CBFRR Pro Forma Adjustments			P	CBFRR ro Forma ljustments
Rovenue			Ī					
To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation.								
Total City Bond								
Bond Interest Rate Bond Period		6,50% 30		r/s.				
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 3.4)	_	100.00%	_	** ***				
Less: PWW Pro Rata Share of Rate Stabilization Reserve Less: City Eminent Domain Cost Recovery				\$5,000,000 \$0				
Total PWW Pro Rata Share for CBFRR/MARA			-	5128,453,268				
Bond Interest Rate			•	6,50%				
Bond Period					yrs.			\$9,836,623
Pro Rata Calculation as follows								
PWW & Southwood Equity (8/31/2011)	S	56,677,987		87.74%				
PEU Equity (8/31/2011) PAC Equity (8/31/2011)	\$	6,847,954 1,071,318		10.60% 1.65%				
FAC Educy (0/3/12011)	-3	\$64,597,259	_	100.00%				
		004,001,200		100.0078				
PWW & Southwood % CBFRR based on pro rata equity		87.74%	, :	\$133,453,268				
PEU % CBFRR based on pro rata equity				\$16,124,105				
PAC % CBFRR based on pro rate equity		1.66%		\$2,522,512				
Total City Bond		100,00%	:	\$152,099,885				
** * * * * * * * * * * * * * * * * * * *								
Administrative and General Admin		1000 5051						
Officers	s s	(238,595)						
City Appointed CEO	s	200,000					S	(771,596)
, , , , , , , , , , , , , , , , , , , ,		200,000	-				•	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Bonus								
Admin	\$	(7,000)						
Officers	\$	(36,500)						
City Appointed CEO	_\$_	15,000	-				\$	(28,500)
Benefits:				City Appointed				
550.05.00		Reduction		CEO				
Pension	5	(153,000)	·		s	(146,825)		
401 K	5	(24,694)		\$ 6,000	\$	(18,694)		
Medical	\$	(82,532)			\$	(77,045)		
Dental	\$	(8,232)			\$	(7,651)		
Group Life/Disability Officer's Life	S	(3,869)			ş	(3,288)		
Long Term Care	Š	(10,281) (6,367)	,		\$ \$	(6,521) (4,869)		
Payroll Taxes	š	(55,630)			Š	(54,044)		
Training/Educational Seminars	š	(17,570)			s	(17,570)		(336,507)
•							•	,
Meetings & Conventions							S	(19,600)
Senior Management Vehicle:							\$	(1,000)
Memberships:							\$	(22,466)
Total Administrative and General							\$	(1,179,669)
Less Payroli Taxes							\$	54,044
Total Administrative and General							\$	(1.125.625)

Re: City of Nashua Acqueilton of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 4 of 9

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Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 5 of 9

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

					ro Forma Ijustments
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 % to PWW			(74,427)		
% to PVVVV	74.90% *		\$ (586,203)	\$	(439,066)
Allocation to Affiliates					
Salaries			(771,596)		
Bonus			(28,500)		
Benefits			(336,507)		
Meetings & Conventions			(19,600)		
Senior Management Vehicle			(1,000)		
% to Affiliates	26.30% *		(1,156,203)	s	304,081
Total Management Fee	•			\$	(134,985)
Note:					
*Management fee allocation based on current p	ercentage allocation	•			
Depreciation Expense					
To eliminate depreciation expense for equity re	elated assets				
purchased with City Bond as part of the closing	transaction		54,153,016	(1)	
at a composite depreciation rate of 2.8%.			2.80%	\$	(1,516,284)
Amortization Expense					
To provide for amortization expense on City Er	ninent Domain				
Costs as follows:					
City Eminent Domain Costs			\$0		
Amortization Period years			30	\$	•
Amortization Expense					
To provide for amortization expense attributable	le to	\$128,453,268 (Sch 1, Ath A, Pg 1)	\$71,775,281		
MARA based on rate and principal payment		56,677,987 (Sch 4)	30		
Year One Amortization Expense		\$71,775,281	6.50%		\$830,974
Income Taxes				*******	
To record income taxes as a result of pro form adjustments to income statement.	а			_\$	(2,774,952)
•					
FINAL RATE ORDER NOI ADJUSTMENTS					
To record final adjustments to Net Operating Ir	ncome			_\$	(166,809)
as approved in Rate Order DW10-091					

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

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

		DW10-091,	OCA 3-1	DW10-091, S	TAFF 3-13	LESS EMIN	ENT DOMAIN					CBFRR APPROACH WIMA	·PΛ
Description Plant in Service	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	PRO FORMA NASHUA ACQUISITION ADJUSTMENTS	PRO FORMA NASHUA RATE BASE FOR PWW
Adjustment to Rate Base per Final Rate Order	153,687,293	(421,246)	153,266,047	3,904,456	157,170,503		157,170,503			157,170,503	/		157,170,503
Accum Deprec	20 000 047							(3,562,467)	2,524,971	(1,037,496)			(1,037,496)
Accum Deprec: Loss	38,260,317	(7,888)	38,252,429	(36,477)	38,215,952		38,215,952			38,215,952			38,215,952
Accum Deprec: COR	4,050,376	-	4,050,376	2,277	4,052,653		4,052,653			4,052,653			4,052,653
Theoretical Reserve	1,708,176	•	1,708,176	185,793	1,893,969		1,893,969			1,893,969			1,893,969
Acquistion Adjustment	882,900	•	882,900		882,900		882,900			882,900			882,900
Accum Amort Acq Adi	844,905	•	844,905	•	844,905		844,905			844,905			844,905
Municipal Acquisition Regulatory Asset (MARA)	296,522	•	296,522		296,522		296,522			296,522			296,522
Accum Amort MARA Adi	•	•	-	•							71,775,281		71,775,281
CIAC		•		•		•				-	-		-
Amon of CIAC	26,898,154	•	26,898,154		26,898,154		26,898,154			26,898,154			26,898,154
Amon of diag	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:									_,,	107,007,000	7 1,7 7 5,20 1	-	173,112,047
Working Cap	1,296,371	(9,203)	1,287,168	6,874	1,294,042		1,294,042			1,294,042		(155,433)	1,138,608
Materials & Supplies	825,124	•	825,124		825,124		825,124			825,124		(100,400)	825,124
Prepaid Exprenses	391,159		391,159		391,159		391,159			391,159			391,159
Prepaid Property Taxes	55,545	-	55,545		55,545		55,545			55,545			55,545
Prepaid Income Taxes	-			-	-					33,545			33,345
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						
DEDUCT:		(40,0)	10,011,001	0,074	10,004,405	(4,024,507)	10,239,497			10,259,497	•	(155,433)	10,104,064
Customer Advances	84,000		84,000		84,000		84,000			0.000			
Customer deposits & other	138,756		138,756		138,756		138,756			84,000			84,000
Deferred Income Tax	12,920,917		12,920,917	•	12,920,917					138,756			138,756
Deferred Tax Liability	855,191		855,191	•	855,191		12,920,917			12,920,917			12,920,917
Unamort ITC	784.440	-	784,440	•			855,191			855,191			855,191
Deferred Rental Credits	105,550	-	105,550	828,000	784,440 933,550		784,440			784,440			784,440
Unfunded FAS 106 and 158 Costs	1,135,245		1,135,245	526,000			933,550			933,550			933,550
	-			·	1,135,245		1,135,245			1,135,245			1,135,245
TOTAL Rate Base	16,024,099		16,024,099	828,000	16,852,099		16,852,099			16,852,099			16,852,099
DEDUCT: Equity Related Assets + MARA	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
												(128,453,268)	(128,453,268)
ADD: City Eminent Domain Cost Recovery													
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
										COMPANIES OF THE STREET			

Includes the elimination of MARA

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

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 7 of 9

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

(155,433)

(56,677,987)

(71,775,281)

(128,453,268)

5,000,000

CBFRR w/ MARA Pro Forma DW 10-091 Adjustments

\$

\$

Final Adjustment

CASH WORKING CAPITAL

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

12.33%

EQUITY DEDUCTION

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

To deduct all equity value associated with MARA

Total Equity Deduction

RATE STABILIZATION CASH RESERVE

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

Less: Rate Stabilization Reserve (Schedule 4)

PWW Pro Rata Share

\$5,000,000 (1)

Total PWW Pro Rata Share for City Bond

100.00%

(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% \$64,597,259 100.00%

DEFERRED DEBITS

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

FINAL RATE ORDER NOI ADJUSTMENTS

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

(3,562,467)

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1

JH (2nd Supp)-1 Page 8 of 9

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

				NASHUA ACQUISITION - CBFRR								
Capital Component	Filed <u>Amount</u>	DW10-091, Adjustment	OCA 3-1 Final Rate Order	MARA Adjustment	RSF Adjustment	CBFRR Adjustment	Adjusted <u>Amount</u>	Component <u>Ratio</u>	Component Cost Rate	Weighted Average Cost Rate		
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)	1 \$ -	0.00%	7.19%	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 Orde	er - DW10-091	7.98%		
								CBFRR Pro Form	a Adjustment	-1.95%		

Notes:

- 1 To eliminate common and MARA equity purchased by City Bond as part of the 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%.

Re: City of Nashua Acquisition of Pennichuck Corporation

Docket No. DW 11-026

Exhibit BJH (2nd Supp)-1

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

Schedule 4
Attachment A
Pro Forma Adjustments

	Original Filing					unded	In Annual Cost 3,077,604	Funded Effectve Rate 5.94%
Deference	A Lilliana Dobt	3.728%	Original 2,424,100 90,370	Revised 123,000 4,585		(2,301,100)	(85,785)	- 2.10/
	Revised Debt and Interest Proposed Adjustment				\$ \$	49,553,907 (2,301,100)	2,991,819	0.0478

Re: City of Nashua Acquisition of Pennichuck Corporation

Docket No. DW 11-026

Exhibit BJH (2nd Supp)-2

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Proposed Settlement Schedule A

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

PRO FORMA
ST YEAR
ADJUSTMENTS
(1) (2)
PRO FORMA TEST YEAR

PRO FORMA TEST YEAR

CITY OF NASHUA
ADJUSTMENTS
FORMA TEST
YEAR
APPROACH

CITY OF NASHUA
ADJUSTMENTS
FOR CBFRR
APPROACH
REQUIREMENT

	•	TEST YEAR		JUSTMENTS (1) (2)	PRO	FORMA TEST YEAR	ORMA TEST YEAR		ADJUSTMENTS FOR CBFRR APPROACH	REVENUE QUIREMENT
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					\$	6,233,736	\$ 6,233,736	- =		\$ 4,601,660
ADD: City Bond Fixed Reve	nue	Requirement	(Sch	edule A, Attach A	\)					\$1,234,743
ADD: NC Capital Surcharge	Rev	enue					\$ 295,242			\$ 295,242
Total Revenue:							\$ 6,528,978	- =		\$ 6,131,645

Notes:

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

⁽²⁾ Water Revenues are reflected without Capital Surcharge Revenues

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

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:

PAC % CBFRR based on pro rata equity

PEU Pro Rata Share

\$ 16,124,105 (1)

Less: Rate Stabilization Reserve \$

5,000,000 0.00%

PEU Pro Rata Share (Sch 3, Attach A)

16.124.105

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

6.50%

30 yrs

100.00% \$ 152,099,885

\$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

(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% 1,048,067

PEU Pro Rata Interest Benefit

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

Proposed Settlement Schedule 1 Nashua Acquisition Pro Forma Adjustments

								CBFRR APPROACH WIMA				/MAI	ARA	
	Account Number	 NNICHUCK ST UTILITY, INC.	N	orth Country	Pro Forma djustments (1)	_	OMBINED EST YEAR	AD	CITY OF NASHUA MARA JUSTMENT ER BOOKS	AE F	Y OF NASHUA DJUSTMENTS FOR CBFRR APPROACH	CE	CITY OF NASHUA BFRR 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 652 660 to 678 &	1,137,272		221,083			1,358,356						1,358,356	
Transmission & Distribution Expense	926,1	329,977		160,100			490,077						490,077	
Customer Acct & Collection Exp	902 to 904	140,501		41,563			182,064						182,064	
Administrative & General Expense	920 to 950	96,772		26,749			123,521						123,521	
Inter Div Management Fee	930	 1,261,843		292,644	 		1,554,487				(256,736)		1,297,751	
Total Operating Expense		2,966,366		742,139	-		3,708,505		-		(256,736)		3,451,769	
Depreciation Exp/Acq Adj (Credit) Amortization Expense: CIAC	403/406 405	579,015 (157,454)		122,593 (11,864)	(111,791) 382		589,817 (168,936)				(149,970) (3)		439,847 (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	\$	107,394	\$	(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
 \$ (628,036)

 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

				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	3 10,124,103	
PEU Pro Rata Share (Sch 3, Attach A)		0,000,000%		
TEOT TO MAIS SHAPE (OCT 5, AMBOTA)		0,0076		
Total DELL Des Data Chara for City Band			\$	
Total PEU Pro Rata Share for City Bond Bond Interest Rate			\$ 15,124,105	
			6.50%	
Bond Period			30	
				\$ 1,234,743
Pro Rata Calculation as follows:				
PWW & Southwood Equity (8/31/2011)		S 56,677,987	87.74%	
PEU Equity (8/31/2011)		S 6,847,954	10,60%	
PAC Equity (8/31/2011)		\$ 1,071,318	1,66%	
,		\$ 64,597,259	100.00%	
			100.0076	
PWW & Southwood % CBFRR based on pro rata equity		87.74%	\$ 133,453,268	
PEU % CBFRR based on pro rata equity				
		10.60%	S 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%		\$ (87,930)
TO THIS GODDING TEO		13,0076	3 (300,203)	3 (87,330)
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%		\$ (168,806)
			(. , , ,	- 1: 1: 1: 1: 1: 1: 1: 1: 1: 1: 1: 1: 1:
				\$ (256,736)
3 Amortization Expense				3 (230,730)
	5 16 104 105 /Cab c	0 076 454		
To provide for amortization expense attributable to	\$ 16,124,105 (Sch 1, Ath A)			
MARA based on rate and principal payment	6,847,954 (Sch 4)	30		
Year One Amortization Expense	S 9,276,151	6.50%		\$107,394
4 Depreciation Expense				
To eliminate depreciation expense for equity related				
assets purchased with City bond as part of the closing		\$ 6,847,954	(Sch 4)	
transaction at a composite depreciation rates of 2.19%.		2.19%		\$ 149,970
5 Income Taxes				
To record income taxes as a result of pro forma		\$ (828,036)		
adjustments to income statement. (sen 1)		39.61%		\$ (327,985)
		35.0176		3 (327,903)

Note

PEU @ 6.5%

Š

^{*}Management foe allocation based on current percentage allocation.

Re: City of Nashua Acquisition of Pennichuck Corporation
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Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments

PENNICHUCK EAST UTILITY, INC. COMPUTATION OF RATE BASE For The Twelve Months Ended December 31, 200

										CBFI	RR APPROACH W	MARA	
Description		ENNICHUCK ST UTILITY, INC.	No	orth Country	Pro Forma djustments (1)	co	MBINED TEST YEAR	FOI	CITY JUSTMENTS R PEU'S PRO TA SHARE OF MARA	A	RO FORMA NASHUA CQUISITION JUSTMENTS		FORMA NASHUA E 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) Accum Amort MARA Adj									9,276,151				9,276,151
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:		,0,000,		0,0.0,070	(1,001,000)		,,		0,2.0,,0.				20, ,
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
3	*************	968,929	·····	220,522	 (108,554)		1,080,896				(31,656)		1,049,241
DEDUCT:		,			(,,		,,,		-		(,,		, ,
Customer Advances		_					-						-
Customer Deposits		2,063		2			2,065						2,065
Deferred Income Tax		3,288,402		585,642			3,874,044						3,874,044
Deferred Gain on Loans		85,574		-			85,574						85,574
		3,376,039		585,644			3,961,683		-				3,961,683
TOTAL Rate Base	\$	13,631,630	\$	5,305,794	\$ (4,646,514)	\$	14,290,910	`\$	9,276,151	\$	(31,656)	\$	23,535,405
DEDUCT: Equity Related Assets					 					\$	(16,124,105) 2	\$	(16,124,105)
ADD: Rate Stabilization Cash Reserve										\$	_	\$	<u>-</u>
TOTAL Rate Base	\$	13,631,630	\$	5,305,794	\$ (4,646,514)	\$	14,290,910	\$	9,276,151	\$	(16,155,761)	\$	7,411,300

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

⁽²⁾ Includes Elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation
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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 PEU Pro Rata Share	, , , , , , , , , , , , , , , , , , , ,	
Total PEU Pro Rata Share for City Bond		\$ -
(1) Pro Rata Calcualtion 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%	
	\$ 64,597,259 100.00%	

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		djusted mount	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)	1	•	0.00%	7.19% 2	0.00%
Overall Rate of Return	\$ 14,704,245	\$ 9,276,151	\$ -	\$ (16,124,105)	\$	7,856,291	100.00%		4.67%
				-			Aι	thorized ROR	7.60%

Authorized ROR

Proposed Adjustment

-2.93%

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,				DW10-090), S	STAFF 3-5			City Bond Fixed Re (CB	even BFRR	•
		O FORMA ST YEAR	ADJUSTMENTS (1)		12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09		STEP INCREASI PRO FORMA ADJUSTMENTS (1)		F	COMBINED PRO FORMA & STEP ICREASE FORMA TEST YEAR	¹ Final djustment W 10-090	Final Rate Order W 10-090	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH		TY OF NASHUA REVENUE EQUIREMENT
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	\$	728,461	-		\$	714,945			\$	735,106		\$ 732,581	- ·	\$	504,250
ADD: City Bond Fixed F	Reve	nue Requi	rem	nent (Schedule A, A	ttach	A)									\$193,167
Total Revenue:														\$	697,417

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

Re: City of Nashua Acquisition of Pennichuck Corporation
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PITTSFIELD AQUEDUCT COMPANY

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

Revenue

Bond Period

PAC % CBFRR based on pro rata equity

Proposed Settlement Schedule A Attachment A Nashua Acquisition

> Pro Forma Adjustments

> > \$193,167 (2)

1	To recognize adjustment of fixed annual revenue requirement to meet City Bond obligation. Total City Bond Bond Interest Rate Bond Period	\$ 152,099,88 6.50	and the second		
	Calculated pro rata for City Bond based on a constant payment and a constant bond rate. Calculated as follows: PAC Pro Rata Share Less: Rate Stabilization Reserve PAC Pro Rata Share (Sch 3,Attach A)	\$ 5,000,00 0.00		2,522,512	
	Total PAC Pro Rata Share for City Bond Bond Interest Rate		\$	\$0 2,522,512 6.50%	

Notes:	_			
(1) Pro Rata Calculation as follows:				
PWW & Southwood Equity (8/31/2011)	\$	56,677,987		87.74%
PEU Equity (8/31/2011)	S	6,847,954		10.60%
PAC Equity (8/31/2011)	S	1,071,318		1.66%
	\$	64,597,259		100.00%
PWW & Southwood % CBFRR based on pro rata equity		87.74%	s	133,453,268
PEU % CBFRR based on pro rata equity		10.60%	\$	16,124,105

(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

30 yrs

1.66% \$ 2,522,512

100.00% \$ 152,099,885

Proposed Settlement Schodule 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		DW1	0-090	, OCA 3-1					c	BFRR APPROACH W/M	ARA	
	12	O FORMA MONTHS 2/31/09	REC	OSED DATA QUESTS STMENTS	12 MO WI' PROP ADJUST 12/3	TH DSED MENTS	STEP INCREA PRO FORM ADJUSTMEN	A	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adju DW 10		al Rate Order DW 10-090	CITY OF NA MARA ADJUSTMEN BOOK	T PER	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	CBF	Y OF NASHUA RR APPROACH REVENUE EQUIREMENT
Water Sales	\$	607,133	\$	126	\$	507,259	S	-	s 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

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

Proposed Settlement Schedule 1 Attachment A Nashua Acquisition

Revenue			Pro Forma
To recognize adjustment of fixed annual revenue			Adjustments
requirement to meet City Bond obligation.			
Total City Bond		***************************************	
Bond Interest Rate		\$ 152,099,885	
Bond Period		6.50%	
Calculated pro rata for City Bond based on a		30 yrs	
constant payment and a constant bond rate.			
Calculated as follows:			
PAC Pro Rata Share			
Less: Rate Stabilization Reserve		\$ 2,522,5	12
PAC Pro Rata Share (Sch 3,A)		\$ 5,000,000	
THE TO THE CHAIR (OCT 5,A)		0.00%	
Total PAC Pro Rata Share for City Bond			50
Bond Interest Rate			
Bond Period		6.5	
Don't Feriod			30 yrs
			\$193,167.50
Pro Rata Calculation as follows:			
PWW & Southwood Equity (8/31/2011)	-	\$7,56,677,987. 87,74	194
PEU Equity (8/31/2011)		\$ 6,847,954 10.6	
PAC Equity (8/31/2011)		\$ 1,071,318 1.6	
-4-7(,			
		\$ 64,597,259 10 ¹	J76
PWW & Southwood % CBFRR based on pro rata equity		27 749/ \$ 422 452 2	20
PEU % CBFRR based on pro rata equity		87.74% \$ 133,453,20	
PAC % CBFRR based on pro rata equity		10.60% \$ 16.124,1	
The same of the sa		1.66% \$ 2.522.5	
2 Management Fee		100.00% \$152,099,8	35_
Allocation from Corporate			
Professional Fees & Services			
D&O Insurance			\$ (132,339)
Annual Report Cost			(86,479)
Auditors/SEC Legal Expense			(24,965)
Corp Governance Legal/AST			(210,888)
Directors Fees & Mtqs/Corp Secv			(32,053)
EDGAR Filing/NASDAQ & Other			(25,052)
% Allocation to PAC			(74,427)
75 7 MOSSEEGH TO 7 AG		1.80	0% * \$ (586,203) \$ (10,552)
Allocation from PWW			
Salaries			
Bonus			\$ (771,596)
Benefits			(28,500)
Meetings & Conventions			(336,507)
Senior Management Vehicle			(19,600)
% Allocation to Pac			(1,000)
A Allocation to Pac		1.80	0% * \$ (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		\$ (1,071,318)	
at a composite depreciation rate of 2,57%.		2.57%	\$ (27,533)
4 Amortization Expense			
To provide for amortization expense attributable to	\$ 2,522,512 (Sch 1, Ath A, Pg 1)	S 1,451,194	
MARA based on rate and principal payment	1,071,318 (Sch 4)	30	
Year One Amortization Expense	\$ 1,451,194	6.50%	S 16,801
5 Income Taxes			
To record income taxes as a result of pro forma		S (134,271)	
adjustments to income statement.		39.61%	\$ (53,185)

27

Proposed Settlement Schedule 3 Nashua Acquisition Pro Forma Adjustments

				DW10-090	, OCA	. 3-1	DW	/10-09	90, OCA 3-1						CBFI	RR A	PPROACH W/N	IARA	
Description		Pro Forma Test Year	R	POSED DATA REQUESTS JUSTMENTS	PI ADJ	ONTHS WITH ROPOSED JUSTMENTS 12/31/09	STEP INCRE PRO FORM ADJUSTMEN	1A	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR		Final Adjustment DW 10-090		nal Rate Order DW 10-090	FOR	CITY JUSTMENTS PWW'S PRO A SHARE OF MARA	PR I AC	RO FORMA NASHUA QUISITION USTMENTS	F	PRO FORMA ASHUA RATE SE FOR PWW
Plant in Service	\$	3,846,825	\$	•	\$	3,846,825	\$ 114,	526	\$ 3,961,351			\$	3,961,351					s	3,961,351
Adjustment to Rate Base per Final Rate Order Accum Deprec											(7)		(7)					Ů	(7)
Accum Deprec: Loss		1,036,132				1,036,132	2,	050	1,038,182				1,038,182						1,038,182
Accum Deprec: COR		114,504 406				114,504		-	114,504				114,504						114,504
Municipal Acquisition Regulatory Asset (MARA)		400				406		-	406				406						406
Accum Amort MARA Adj													-		1,451,194				1,451,194
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	S 112,	476	\$ 2,145,861	\$	(7)	\$	2,145,854	S	1,451,194	\$	-	\$	3,597,054
ADD:																			
Working Cap		111,754		(61,125)		50,629		•	50,629				50,000						
Materials & Supplies		588		(0.,,20)		588			588				50,629 588				(3,867)		46,762
Prepayments		7,797				7,797		-	7,797				7,797						588 7,797
Other & Deferred Charges		3,505		-		3,505		•	3,505				3,505						3,505
	\$	123,644	\$	(61,125)	\$	62,519	S	•	\$ 62,519	\$	-	\$	62,519	\$	-	\$	(3,867)	\$	58,652
DEDUCT:																			
Customer Advances								-											
Customer Deposits		_						-					•						\$0
Deferred Income Tax		194,991				194,991			194,991				194,991						\$0 \$194,991
	\$	194,991	\$	-	\$	194,991	\$	-		\$	-	\$	194,991	S	-	S	•	s	194,991
TOTAL Rate Base								-	-							•		•	-
DEDUCT: Equity Related Assets	_\$	1,962,038	<u>s</u>	(61,125)	\$	1,900,913	\$ 112,	476	S 2,013,389	_\$	(7)	\$	2,013,382	\$	1,451,194	\$	(3,867)	s	3,460,715
ADD: Rate Stabilization Cash Reserve						-			•								(2,522,512) 1		(2,522,512)
Total Rate Base:	s	1,962,038	s	(61,125)	•	1,900,913	e 440	476	\$ 2,013,389		· · · · · · · · · · · · · · · · · · ·		222222						
	<u> </u>	,,002,000		(01,123)	<u> </u>	1,300,313	3 172,	+/0	3 Z,U13,389		(7)_	<u> </u>	2,013,382	5	1,451,194	\$	(2,526,379)	\$	938,203

PITTSFIELD AQUEDUCT COMPANY COMPUTATION OF RATE BASE

For The Thirteen Months Ended December 31, 2009

^{1.} Includes the elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-3 Page 6 of 7

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
CASH WORKING CAPITAL To reduce working capital as a result of O&M Expense pro forma adjustments (Schedule 1).	(\$31,364) 12.33%	\$ (3,867)
2 EQUITY DEDUCTION To deduct pro rata share of assets associated with commom equity to be purchased by City Bonds at closing.		\$ (1,071,318)
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) PAC Pro Rata Share		\$ -
(1) Pro Rata Calculation as follows: Rate Base		
PWW Rate Base (DW10-091, Per Final Order)	\$ 56,677,987 100.00%	
PEU Rate Base (12/31/2009)	\$ 6,847,954 0.00% \$ 1,071,318 0.00%	
PAC Rate Base (DW10-090), Per Final Order)	\$ 64,597,259 100.00%	

Proposed Settlement Schedule 4 Nashua Acquisition Pro Forma Adjustments

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

	DW10-090					NASHUA.	ACQUIS	SITION - CBFR	R		
Capital Component	Pro Forma Test Year	Adjustment	Final Rate Order	MARA Adjustmemt	RSF Adjustment	CBFRR Adjustment	Adju	sted 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) 1	\$	•	0.00%	7.19% 2	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%
									Propos	ed Adjustment	-2.20%

Notes:

¹ To eliminate common and MARA equity purchased by City Bond as part of the 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%.

Proposed Settlement COMBINED INCREASE Schedule A 9/15/2011

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

	DW10-091					A 3-1	DW10-0	91, S	TAFF 3-13	_											City Bond Fixed Re (CB	venue FRR)	Requirement
		RO FORMA EST YEAR	R	POSED DATA EQUESTS USTMENTS (1)	P AD	NONTHS WITH PROPOSED JUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS (COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR		WITHOUT EMINENT OMAIN COSTS RECOVERY	FO	MBINED PRO RMA & STEP EASE FORMA EST YEAR		¹ Final djustment DW 10-091	al Rate Order DW 10-091		hwood sets	D	al Rate Order W 10-091 & Southwood	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	F	OF NASHUA REVENUE QUIREMENT
Consolidated Rate Base	\$	97,733,490	s	(433,999)	\$	97,299,491	s 3,307,87	7 \$	100,607,368	s	(4,824,907)	\$	95,782,461	s	(3,562,467)	\$ 92,219,994 S	2	.524,971	\$	94,744,965	(51,833,420)	s	42,911,544
RATE of Return		7.86%		0.09%		7.95%			7.95%	6			7.95%		0.03%	7.98%				7.98%	-1,95%		6.04%
Income Required	\$	7,677,233	s		\$	7,733,642		5	7,996,562			s	7,613,064			\$ 7,362,859			\$	7,564,453		\$	2,591,857
Adjusted NOI	s	5,312,859	s	(52,593)	s	5,260,266	s (127,64	4) \$	5,132,622	\$	323,751	\$	5,456,373	s	166,809	\$ 5,623,182 S			٠ \$	5,623,182	(\$3,746,279)	\$	1,876,903
Deficiency	s	2,364,374	s		\$	2,473,376		5	2,863,940			\$	2,156,691			\$ 1,739,677			S	1,941,271		\$	714,954
Tax Factor		60.39%				60.39%			60,39%	6			60.39%			60.39%				60.39%			60.39%
Revenue Deficiency	s	3,915,175	s		s	4,095,672	s 646,73	36 \$	\$ 4,742,408	\$	(1,171,136)	s	3,571,272	s	(690,535)	\$ 2,880,737 S		333,820	\$	3,214,557		\$	1,183,895
Water Revenues	\$	24,116,426	s	-	\$	24,116,426	s	- \$	S 24,116,426			\$	24,116,426			\$ 24,116,426			\$	24,116,426		\$	15,082,011
Proposed Revenue Inc		16.23%				16.98%	2.68	3%	19.66%	ó	-4.86%	•	14,81%		-2.86%	11.95%		1.389	%	13.33%			4.91%
Total Revenue	\$	28,031,601	-		\$	28,212,098	•	_	\$ 28,858,834	_		\$	27,687,698			\$ 26,997,163			S	27,330,983	:	s	16,265,906

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

Total City Revenue:

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

\$9,034,414

25,300,321

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

> > \$9,034,414 (2)

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% 30 yrs

Bond Period

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 3,A) 100.00%

Less: PWW Pro Rata Share of Rate Stabilization Reserve \$5,000,000

Less; City Eminent Domain Cost Recovery Total PWW Pro Rata Share for CBFRR/MARA

Bond Interest Rate 30 yrs.

Notes:		
(1) Pro Rata Calculation as follows	_	
PWW & Southwood Equity (8/31/2011)	\$ 55,677,987	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

(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)
PWW Pro Rata Share \$8,669,693 87.74% PWW Pro Rata Interest Benefit \$7,606,836 Re: City of Nashua Acquisition of Pennichuck Corporation Docket No, DW 11-026 Exhibit BJH (2nd Supp)-1 Page 2 of 9

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 3 of 9

> Proposed Settlement Schodulo 1

Nashua Acquisition Pro Forma Adjustments 9/15/2011

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

		DW10-091,	OCA 3-1	DW10-091,	STAFF 3-13	LESS EMINE	ENT DOMAIN			CE	FRR 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 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	s -	\$ 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 Amortization Expense:CIAC	4,070,540 (480,385)	(7,888)	4,062,652 (480,385)	80,768	4,143,420 (480,385)		4,143,420 (480,385)		4,143,420 (480,385)		(1,516,284) (3	2,627,136 (480,385)
Amortization Expense: MARA	-	-	(///		-	-	, ,	_	-	956,930	(956,930) (4	
Amortization Expense	495,885	(1,696)	494,189	-	494,189	(536,100)	(41,911)		(41,911))	_ (2	
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) (1	(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

Notos:

(1) Pro Forma income Taxes calculated as follows:

Total Proforma Revenue decrease
Total Proforma NOI before income tax

2,830,938 \$9,034,414 (6,203,476)

(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

Re: City of Nashua Acquisition of Pennichuck Corporation Occket No. DW 11-026 Exhibit. BJH (2nd Supp)-1 Page 4 of 9

Ponnichuck Water Works Inc Pro Forma Adjustments to Not Operatina Income For The Twelve Months Ended December 31, 2009

Proposed Settlement Schodule 1 Attachment A Page 1 Nashua Acquisition

						N	lashua	Acquisition 9/16/2011
			c	BFRR				CBFRR
				Forma				o Forma
			Adju	stmonts		_	Ad	ustments
Rovenuo								
To recognize adjustment of fixed annual revenue								
requirement to meet City Bond obligation.		£0.000 00E						
Total City Bond Bond Interest Rate Bond Period	31	5.70%	уть					
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 3,A)		100.00%						
Less: PWW Pro Rata Share of Rate Stabilization Reserve			\$5	,000,000				
Less: City Eminent Domain Cost Recovery			5420	50 3,453,268				
Total PWW Pro Rata Share for CBFRR/MARA Bond Interest Rate			\$ 120	5,70%				
Bond Period					yrs.	-		\$9,034,414
					•	•		
Pro Rata Calculation as follows								
PWW 8 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)	<u>s</u>	1,071,318	···	1.66%				
		64,597,259		100.00%				
PWW & Southwood % CBFRR based on pro rata equity		87.74%	5133	3,453,268				
PEU % CBFRR based on pro rata equity		10,60%		5,124,105				
PAC % CBFRR based on pro rata equity		1.66%		2,522,512				
Total City Bond		100,00%	\$15	2,099,885				
Administrative and General								
Admin	S	(238,596) (733,000)						
Officers City Appointed CEO	Š	200,000					s	(771,596)
City Appointed CLO		200,000	•				•	(,===)
Bonus								
Admin	\$	(7,000)						
Officers	S	(36,500)						
City Appointed CEO	_\$	15,000	-				\$	(28,500)
Benefits:			City	Appointed				
General.		Reduction	٠,,,	CEO				
Pension	S	(153,000)	\$	6,175	\$	(146,825)		
401 K	\$	(24,694)	\$	6,000	\$	(18,694)		
Medical	\$	(82,532)		5,487	\$	(77,045)		
Dental	s	(8,232)		581	s	(7,651)		
Group Life/Disability	\$	(3,859)		581	S S	(3,288)		
Officer's Life	\$	(10,281) (6,367)		3,760 1,498	S	(6,521) (4,869)		
Long Term Care Payroll Taxes	Š	(55,530)		1,586	Š	(54,044)		
Training/Educational Seminars	š	(17,570)		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Ś	(17,570)	\$	(336,507)
Meetings & Conventions:							\$	(19,600)
Senior Management Vehicle :							s	(1,000)
Memberships:							<u>s</u>	(22,456)
Total Administrative and General							\$	(1,179,669) 54,044
Less Payroll Taxes Total Administrative and General	,						<u>\$</u>	(1.126,625)
LOTEL MORITIMETERS DE GONOFS								

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 Management Fee Allocation from Corporate (132,339)Professional Fees & Services (86,479) D&O Insurance (24,965)Annual Report Cost (210,888) Auditors/SEC Legal Expense (32,053)Corp Governance Legal/AST Directors Fees & Mtgs/Corp Secy (25,052)EDGAR Filing/NASDAQ & Other (74,427)(439,066)% to PWW 74.90% (586,203) \$ Allocation to Affiliates (771,596) Salaries (28,500)Bonus (336,507) Benefits (19,600) Meetings & Conventions Senior Management Vehicle (1,000)304,081 % to Affiliates 26.30% * (1,156,203) (134,985) Total Management Fee Note: *Management fee allocation based on current percentage allocation. Depreciation Expense To eliminate depreciation expense for equity related assets 54,153,016 (1) purchased with City Bond as part of the closing transaction (1,516,284) at a composite depreciation rate of 2.8%. 2.80% Amortization Expense To provide for amortization expense on City Eminent Domain Costs as follows: \$0 City Eminent Domain Costs 30 Amortization Period years Amortization Expense To provide for amortization expense attributable to \$128,453,268 (Sch 1, Ath A, Pg 1) \$71,775,281 56,677,987 (Sch 4) 30 MARA based on rate and principal payment \$71,775,281 5.70% \$956,930 Year One Amortization Expense Income Taxes (2,457,197) To record income taxes as a result of pro forma adjustments to income statement. FINAL RATE ORDER NOI ADJUSTMENTS To record final adjustments to Net Operating Income (166,809) as approved in Rate Order DW10-091

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 5 of 9

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

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

		DW10-091	DW10-091, OCA 3-1 DW10-091, STAFF 3-13 LESS EMINENT DOMAIN							CBFRR APPROACH W/MARA				
	Pro Forma	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	
Description	Test Year	101.010	153,266,047	3,904,456	157,170,503		157,170,503			157,170,503			157,170,503	
Plant in Service	153,687,293	(421,246)	155,200,047	3,504,430	131,110,303		,,	(3.562,467)	2,524,971	(1,037,496)			(1,037,496)	
Adjustment to Rate Base per Final Rate Order		(2 pan)	38,252,429	(36,477)	38,215,952		38,215,952	(-1		38,215,952			38,215,952	
Accum Deprec	38,260,317	(7,888)	4,050,376	2,277	4,052,653		4,052,653			4,052,653			4,052,653	
Accum Deprec: Loss	4.050,376	•		185,793	1,893,969		1,893,969			1,893,969			1,893,969	
Accum Deprec: COR	1,703,176	•	1,708,176	100,793	882,900		882,900			882,900			882,900	
Theoretical Reserve	882,900	•	882,900	•	844,905		844,905			844,905			844,905	
Acquistion Adjustment	844,905	•	844,905	-			296,522			296,522			296,522	
Accum Amort Acq Adj	296,522	•	296,522	•	296,522		250,322				71,775,281		71,775,281	
Municipal Acquisition Regulatory Asset (MARA)		•		•	•	•	•							
Accum Amort MARA Adj	-	-	•	•		•	26,898,154			26,898,154			26,898,154	
CIAC	26,898,154	•	26,898,154	•	26,898,154		4,037,526			4,037,526			4,037,526	
Amort of CIAC	4,037,526	•	4,037,526	•	4,037,526				2 201 074	101,337,566	71,775,281		173,112,847	
	98,659,417	(413,358)	98,246,059	4,129,003	102,375,062	•	102,375,062	(3,562,467)	2,524,971	101,337,300	11,770,201			
ADD:										1,294,042		(155,433)	1,138,608	
Working Cap	1,296,371	(9,203)	1,287,168	6,874	1,294,042		1,294,042			825,124		(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	825,124	
Materials & Supplies	825,124	-	825,124		825,124		825,124			391,159			391,159	
Prepaid Exprenses	391,159		391,159		391,159		391,159			55,545			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			10,104,054	
Other & Delance Sharges	15,098,172	(20,641)		6,874	15,084,405	(4,824,907) 10,259,497			10,259,497	-	(155,433)	10,104,004	
DEDUCT:										84,000			84,000	
Customer Advances	84,000		84,000		84,000		84,000			138,756			138,756	
Customer deposits & other	138,756		138,756		138,756		138,756						12,920,917	
Deferred Income Tax	12,920,917		12,920,917		12,920,917		12,920,917			12,920,917			855,191	
Deferred Tax Liability	855,191		855,191		855,191		855,191			855,191			784,440	
Unamort ITC	784,440		784,440		784,440	1	784,440			784,440			933,550	
Deferred Rental Credits	105,550	_	105,550	828,000	933,550)	933,550			933,550			1,135,245	
	1,135,245		1,135,245		1,135,24	i	1,135,245			1,135,245				
Unfunded FAS 106 and 158 Costs				828,000	16,852,099		16,852,099			16,852,099			16,852,099	
	16,024,099			3,307,877	100,607,36			(3,562,467)	2,524,971	94,744,965	71,775,281		166,364,812	
TOTAL Rate Base	97,733,490	(433,999)	97,299,491	3,301,611	100,007,300	, (4,024,50.	,	, , , , , , , , ,				(128,453,268)	1 (128,453,268)	
DEDUCT: Equity Related Assets + MARA												-	-	
ADD: City Eminent Domain Cost Recovery												5,000,000	5,000,000	
ADD: Rate Stabilization Cash Reserve				4 805 -55	100,607,36	3 (4,824,90)	95,782,461	(3,562,467)	2,524,971	94,744,965	71,775,281	[123,608,701]	42,911,544	
Total Rate Base	97,733,490	(433,999)	97,299,491	3,307,877	100,607.36	14,024,90	1 33,102,401	(0,00,,007						

^{1.} Includes the elimination of MARA

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

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
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Proposed Settlement Schedule 3 Attachment A Nashua Acquisition 9/15/2011

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

CASH WORKING CAPITAL

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

(1,260,610) 12.33%

(155,433)

EQUITY DEDUCTION

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

To deduct all equity value associated with MARA

Total Equity Deduction

\$ (56,677,987)

(71,775,281)

\$ (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

100.00%

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%
	 \$64,597,259	100.00%

DEFERRED DEBITS

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

\$ -

FINAL RATE ORDER NOI ADJUSTMENTS

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

\$ (3,562,467)

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-1 Page 8 of 9

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

						NASH	JA ACQUISITION -	CBFRR		
		DW10-091,	OCA 3-1						Component	Weighted
Capital Component	Filed <u>Amount</u>	Adjustment	Final Rate Order	MARA Adjustment	RSF <u>Adjustment</u>	CBFRR Adjustment	Adjusted <u>Amount</u>	Component <u>Ratio</u>	Cost <u>Rate</u>	Average Cost Rate
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	-		-				<u>.</u>	0.00%	0.00%	0.00%
Common Equity	56,677,987	\$	56,677,987	\$ 71,775,281	\$ - 5	(128,453,268)	1 <u>s -</u>	0.00%	7.19% 2	0.00%
Overall Rate of Return	\$ 108,532,994	\$ (2,301,100) \$	106,231,894	\$ 71,775,281	\$ - 9	(128,453,268)	\$ 49,553,907	100.00%		6.04%
			-					Final Rate Ord	er - DW10-091	7.98%
								CBFRR Pro Form	na Adjustment	-1.95%

Notes:

¹ To eliminate common and MARA equity purchased by City Bond as part of the 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%.

Re: City of Nashua Acquisition of Pennichuck Corporation
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Pennichuck Water Works Inc Proposed Adjustments to Rate of Return For The Twelve Months Ended December 31, 2009

Schedule 4
Attachment A
Pro Forma Adjustments

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

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-2
Page 1 of 7

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)

	ך	TEST YEAR		RO FORMA JUSTMENTS (1) (2)	PRO	O FORMA TEST YEAR	MBINED PRO ORMA TEST YEAR	ITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	Y OF NASHUA REVENUE EQUIREMENT
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					\$	6,233,736	\$ 6,233,736		\$ 4,601,660
ADD: City Bond Fixed Reven	ue F	Requirement	Sche	edule A, Attach A)		-		\$1,134,045
ADD: NC Capital Surcharge F	₹eve	enue					\$ 295,242		\$ 295,242
Total Revenue:							\$ 6,528,978		\$ 6,030,947

Notes:

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

⁽²⁾ Water Revenues are reflected without Capital Surcharge Revenues

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
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Proposed Settlement Schedule A Attachment A Nashua Acquisition 9/15/2011

> Pro Forma Adjustments

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

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
Less: Rate Stabilization Reserve \$ 5,000,000
PEU Pro Rata Share (Sch 3, Attach A)

Total PEU Pro Rata Share for City Bond
Bond Interest Rate

\$ 16,124,105 (1)
\$ \$ 16,124,105
\$ 5,70%

Interest Rate 5.70%

Bond Period 30 yrs \$1,134,045 (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
PEU Pro Rata Share 10.60%
PEU Pro Rata Interest Benefit \$ 919,074

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					RA
	Account Number		NNICHUCK ST UTILITY, INC.	North Country		Pro Forma Y Adjustments		_	OMBINED EST YEAR	AD	CITY OF NASHUA MARA JUSTMENT ER BOOKS	Α	TY OF NASHUA DJUSTMENTS FOR CBFRR APPROACH	CITY OF NASHUA CBFRR APPROACE REVENUE REQUIREMENT	
Water Sales	461 & 462	\$	5,005,656	\$	939,078	\$	(295,242)	\$	5,649,492				(\$1,134,045)	s	4,515,447
Other Operating Revenue	471		32,269		8,691				40,960				(4.1, 10.1,0.10)	•	40,960
Total Revenues			5,037,925		947,769		(295,242)		5,690,452			\$	(1,134,045)		4,556,407
Production Expenses	601 to 652 660 to 678 &		1,137,272		221,083				1,358,356						1,358,356
Transmission & Distribution Expense	926.1		329,977		160,100				490,077						490,077
Customer Acct & Collection Exp	902 to 904		140,501		41,563				182,064						182,064
Administrative & General Expense	920 to 950		96,772		26,749				123,521						123,521
Inter Div Management Fee	930		1,261,843		292,644				1,554,487				(256,736)		1,297,751
Total Operating Expense			2,966,366		742,139		-		3,708,505		-		(256,736)		3,451,769
Depreciation Exp/Acq Adj (Credit) Amortization Expense: CIAC	403/406 405		579,015 (157,454)		122,593 (11,864)		(111,791) 382		589,817 (168,936)				(149,970) (3)		439,847 (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	\$	123,672	\$	(561,742)	\$	810,594
Net Operating Income		\$	818,460	\$	92,654	\$	(177,830)	\$	733,284	\$	(123,672)	\$	(315,568)	\$	294,044

Notes:

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) *

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

⁽²⁾ Pro Forma income Taxes calculated as follows:

^{*}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
4.2				Pro Forma Adjustments
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 yr	s.
			-	\$ 1,134,045
Pro Rata Calculation as follows:				
PWW & Southwood Equity (8/31/2011)		S 56,677,987	87,74%	
PEU Equity (8/31/2011)		S 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%	S 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 Corp Governance Legal/AST			(210,888)	
Directors Fees & Mtgs/Corp Secy			(32,053) (25,052)	
EDGAR Filing/NASDAQ & Other			(74,427)	
% Allocation to PEU		15.00%	\$ (586,203)	\$ (87,930)

Allocation from PWW Salaries			(774 EAR)	
Bonus			(771,596) (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				3 (230,730)
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		\$ 6,847,954	(Sch 4)	
transaction at a composite depreciation rates of 2,19%.		2.19%		\$ 149,970
5 Income Taxes				
To record income taxes as a result of pro forma		\$ (727,339)		
adjustments to income statement. (sch 1)		39.61%		\$ (288,099)

Note:

PEU @ 5.7%

~

^{*}Management fee allocation based on current percentage allocation.

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

PENNICHUCK EAST UTILITY, INC. COMPUTATION OF RATE BASE For The Twelve Months Ended December 31, 200

									CBFF	R APPROACH V	N/MA	RA
Description	ENNICHUCK AST UTILITY, INC.	No	orth Country	Pro Forma Adjustments (1)		NED TEST EAR	ADJUST FOR PE RATA SI	TY IMENTS U'S PRO HARE OF IRA	AC	RO FORMA NASHUA CQUISITION JUSTMENTS		PRO FORMA NASHUA RATE BASE FOR PEU
Plant in Service	\$ 38,774,582	\$	5,705,899	\$ (4,550,906)	\$ 3	9,929,575					\$	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				1	0,468,179						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)	1	7,171,696	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
TOTAL Rate Base	\$ 13,631,630	\$	5,305,794	\$ (4,646,514)	\$ 1	4,290,910	\$ 9	,276,151	\$	(31,656)	\$	23,535,405
DEDUCT: Equity Related Assets									\$	(16,124,105)	2 \$	(16,124,105)
ADD: Rate Stabilization Cash Reserve	 								\$	-	\$	
TOTAL Rate Base	\$ 13,631,630	\$	5,305,794	\$ (4,646,514)	\$ 1	4,290,910	\$ 9	3,276,151	\$	(16,155,761)	\$	7,411,300

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

⁽²⁾ Includes Elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation
Docket No. DW 11-026
Exhibit BJH (2nd Supp)-2
Page 6 of 7

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
Adju	stments

1 CASH WORKING CAPITAL

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

(256	3,7	73	6)
12	2.3	33	%

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 \$
PEU Pro Rata Share

5,000,000 0.00%

Total PEU Pro Rata Share for City Bond

\$ -

(1) Pro Rata Calcualtion 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%
	\$ 64,597,259	100.00%

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

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) 1	<u>-</u>	0.00%	7.19% 2	0.00%
Overall Rate of Return	\$ 14,704,245	\$ 9,276,151	\$ -	\$ (16,124,105)	\$ 7,856,291	100.00%		4.67%

Authorized ROR

Proposed Adjustment -2.93%

7.60%

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 9/15/2011

			DW1	10-090,	OCA 3		DW10-090, STAFF 3-5								•	City Bond Fixed Revenue Requirement (CBFRR)		
		O FORMA ST YEAR	PROPOSED REQUES ADJUSTME (1)	TS	PRO ADJU:	IONTHS VITH DPOSED STMENTS /31/09	P	EP INCREASE RO FORMA JUSTMENTS (1)	F	COMBINED PRO FORMA & STEP CREASE FORMA TEST YEAR	Ad	justment O		inal Rate Order W 10-090	CITY OF NASHUA ADJUSTMENTS FOR CBFRR APPROACH	R	OF NASHUA EVENUE QUIREMENT	
Consolidated Rate Base	\$	1,962,038	\$ (6	1,125)	\$	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	٠	\$	429,845	
Proposed Revenue Inc		19.98%				17.73%		3.32%		21.05%		-0.42%		20.63%			12.25%	
Total Revenue	\$	728,461	- :		\$	714,945	=		\$	735,106			\$	732,581		\$	504,250	
ADD: City Bond Fixed F	Reve	nue Requi	rement (Sched	iule A, A	ttach A)												\$177,414	
Total Revenue:															-	\$	681,664	

^{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 Bond Interest Rate Bond Period	૿ઽૺ	152,099,885 5.70% 30	• •		
	Calculated pro rata for City Bond based on a constant payment and a constant bond rate. Calculated as follows: PAC Pro Rata Share Less: Rate Stabilization Reserve		5 000 000	\$	2,522,512	
	PAC Pro Rata Share (Sch 3,Attach A)	S	5,000,000 0.00%			
	(our of moon y		A		\$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%	S	2,522,512	
	•		100.00%	ş	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

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

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								
	12	O FORMA MONTHS 12/31/09	RI	POSED DATA EQUESTS USTMENTS	F	12 MONTHS WITH PROPOSED DJUSTMENTS 12/31/09	STEP INC PRO FO ADJUST	ORMA	FOR IN FOI	BINED PRO MA & STEP CREASE RMA TEST YEAR		justment 0-090		al Rate Order DW 10-090	CITY OF NA MARA ADJUSTMEI BOOK	A NT PER	ADJU	OF NASHU STMENTS F R APPROAC	OR	CBFRR A	NASHUA PPROACH ENUE REMENT
Water Sales	\$	607,133	s	126	\$	607,259	\$	•	\$	607,259			\$	607,259				(\$177,4	14)	\$	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		-		(177,41	14)		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)	ŀ	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				(31,36	64)		128,424
Total Operating Expense		380,118		(1,602)	1	378,516		•		378,516		(1,524)		376,992		-		(31,36	64)		345,628
Dep Exp/Acq Adj Expense		86,086		-		86,086		2,050		88,136				88,136				(27,53	33) (2)		60,603
Amortization Expense:CIAC		(24,146)		-		(24,146)		-		(24,146)				(24,146)							(24,146)
Amortization Expense: MARA																19,348		(19,34	48) (3)		-
Amortization Expense		4,458		-		4,458		-		4,458				4,458							4,458
Property Taxes		81,437		(4,225)	ı	77,212		3,964		81,176				81,176							81,176
Income Tax		8,857		2,358		11,215		(2,382)		8,833				8,833				(46,94	45) (1)		(38,111)
Total Operating Deductions		156,691		(1,867)	1	154,824		3,632		158,456		-		158,456		19,348		(93,82	25)		83,979
Net Operating Income	\$	75,753	\$	3,595	\$	79,348	\$	(3,632)	\$	75,716	\$	1,524	\$	77,240	\$	(19,348))	(\$52,2	25)		\$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

Revenue			Pro Forma Adjustments
To recognize adjustment of fixed annual revenue			Adjustments
requirement to meet City Bond obligation.		18-1-1-1	
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			yrs
Dono renou		30	
			\$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%	-
		3 31,037,1203	-
DIAMALS Courth-road St. COEDD beautiful as an art and a service.		87.74% \$ 133,453,268	
PWW & Southwood % CBFRR based on pro rata equity			
PEU % CBFRR based on pro rata equity		10.60% \$ 16,124,105	
PAC % CBFRR based on pro rata equity		1.66% S 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 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			5 (31,364)
rotal management ree			3 (31,364)
3 Depreciation Expense			
To eliminate depreciation expense for equity related assets			
purchased with City Bond as part of closing transaction		\$ (1,071,318)	
at a composite depreciation rate of 2.57%.		2.57%	\$ (27,533)
and a companies of the contract of the contrac			- (3.1009)
4 Amortization Expense			
	0 0000 540 4044 4454 554	C 1.451.104	
To provide for amortization expense attributable to	\$ 2,522,512 (Sch 1, Ath A, Pg 1)	\$ 1,451,194	
MARA based on rate and principal payment	1,071,318 (Sch 4)	30	
Year One Amortization Expense	\$ 1,451,194	5.70%	5 19,348
5 Income Taxes			
To record income taxes as a result of pro forma		\$ (118,517)	
		39.61%	\$ (46,945)
adjustments to income statement.		39.0178	3 (+0,545)

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

Proposed Settlement

Nashua Acquisition

Schedule 3

Pro Forma Adjustments 9/15/2011

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

			DW	/10-090,	OCA 3-1	DW10-0	90, OCA 3-1			СВЕ	RR APPROAG	CH W/M	MARA	
Description		Pro Forma Test Year	PROPOSED REQUES' ADJUSTME	TS	12 MONTHS WITH PROPOSED ADJUSTMENTS 12/31/09	STEP INCREASE PRO FORMA ADJUSTMENTS	COMBINED PRO FORMA & STEP INCREASE FORMA TEST YEAR	Final Adjustment DW 10-090	Final Rate Order DW 10-090	CITY ADJUSTMENTS FOR PWW'S PRO RATA SHARE OF MARA	PRO FORM NASHUA ACQUISITI ADJUSTME	A ON	NA	RO FORMA SHUA RATE SE FOR PWW
Plant in Service	S	3,846,825	\$		\$ 3,846,825	\$ 114,526	\$ 3,961,351	***************************************	\$ 3,961,351				S	3,961,351
Adjustment to Rate Base per Final Rate Order		-,			,,	,	0,507,007	(7)		١			J	
Accum Deprec		1,036,132			1,036,132	2,050	1,038,182		1,038,182					(7) 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	S 1,451,194	\$	-	\$	3,597,054
ADD:						-								
Working Cap		111,754	(6	51,125)	50,629		50,629		50,629		(3	867)		46,762
Materials & Supplies		588		(588		588		588		(5,	001)		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	\$ (6	51,125)		\$ -	\$ 62,519		\$ 62,519		\$ (3,	867)	\$	58,652
DEDUCT:														
Customer Advances						-								••
Customer Deposits					•	•	•		-					\$0
Deferred Income Tax		194,991			194,991	•	194,991		194,991					\$0 \$194,991
	S	194,991	S	-		-	\$ 194,991	• .	\$ 194,991		S		\$	194,991
	•	104,501	•		- 104,551		3 134,331	,	3 154,551	•	Ş	•	•	194,991
TOTAL Rate Base	\$	1,962,038	S (6	51,125)	\$ 1,900,913	S 112,476	\$ 2,013,389	\$ (7)	\$ 2,013,382	S 1,451,194	\$ (3,	867)	s	3,460,715
DEDUCT: Equity Related Assets					*						(2,522,	512)	1	(2,522,512)
ADD: Rate Stabilization Cash Reserve											******			
Total Rate Base:	S	1,962,038	\$ (6	61,125)	\$ 1,900,913	\$ 112,476	\$ 2,013,389	\$ (7)	S 2,013,382	\$ 1,451,194	\$ (2,526,	379)	\$	938,203

^{1.} Includes the elimination of MARA

Re: City of Nashua Acquisition of Pennichuck Corporation Docket No. DW 11-026 Exhibit BJH (2nd Supp)-3 Page 6 of 7

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
CASH WORKING CAPITAL To reduce working capital as a result of O&M Expense pro forma adjustments (Schedule 1).	(\$31,364) 12,33%	\$ (3,867)
2 EQUITY DEDUCTION To deduct pro rata share of assets associated with commom equity to be purchased by City Bonds at closing.		\$ (1,071,318)
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) PAC Pro Rata Share		\$ -
(1) Pro Rata Calculation as follows: Rate Base	Sales printed and Sales	
PWW Rate Base (DW10-091, Per Final Order) PEU Rate Base (12/31/2009)	\$ 56,677,987 100.00% \$ 6,847,954 0.00%	
PAC Rate Base (DW10-090), Per Final Order)	\$ 1,071,318 0.00% \$ 64,597,259 100.00%	

Proposed Adjustment

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

-2.20%

<u>DW10-090</u>			NASHUA ACQUISITION - CBFRR							
Capital Component	Pro Forma Test Year	Adjustment Final Rate Order	MARA Adjustmemt	RSF Adjustment	CBFRR Adjustment	Adju	sted 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) 1	\$	<u>-</u>	0.00%	7.19% 2	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%
								0	7.60%	

Notes:

¹ To eliminate common and MARA equity purchased by City Bond as part of the 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%.