

PROFESSIONAL SERVICES AGREEMENT BETWEEN THE
PENNICHUCK CORPORATION
AND
RAFTELIS FINANCIAL CONSULTANTS, INC.

This Consulting Agreement ("Agreement") is entered into this 19th day of MARCH, 2013 (hereinafter referred to as the effective date of the agreement) by and between the Pennichuck Corporation, (the "Client") and Raftelis Financial Consultants, Inc., 1031 South Caldwell Street, Suite 100, Charlotte, NC 28203 ("RFC").

Witnesseth

WHEREAS, RFC has substantial skill and experience in water and wastewater finance, management, and pricing, and

WHEREAS, The Client desires to hire RFC and RFC desires to provide services to the Client,

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree to the terms and conditions set forth herein.

Article 1. Statement of Work

RFC shall provide professional consulting services to prepare a water cost of service study for the Pennichuck East Utility. RFC will perform these services as set forth in its proposal sent to the Client dated January 24, 2013. The scope of work is included as Attachment A. Tasks 2-6 will be performed upon Client's written request by email or other means.

Article 2. Time for Completion

This agreement will commence upon approval by the Client and remain in effect for a period of one year. Either party may terminate this Agreement on 30 days written notice. Further renewals of this Agreement are at the option of the Parties and shall be in writing.

Article 3. Compensation

Client shall pay to RFC the sum of [REDACTED] which includes professional fees and direct expenses incurred in performing Task 1 of the scope of services outlined in the above referenced proposal, as well as an hourly technology expense reimbursement, outlined in Attachment B. The [REDACTED] technology charge is included in the billing rates for Messrs Smith, Woodcock and Drat. Reasonable travel expenses will be in addition to those rates and will be reimbursed to RFC by Client. The parties understand that this sum is based upon the scope of work contained herein at RFC's current standard hourly rate schedule included in Attachment B. Any expansion of the scope of work by the Client including those services addressed under Tasks 2-6 in the attached proposal shall involve additional fees in accordance with the hourly billing rates shown on Attachment B.

RFC shall submit invoices to the Client on a monthly basis for services rendered to the date thereof. Such invoices shall be supported by appropriate documentation; at a minimum, the task performed, the individuals working on such task, the level of each such individual, and expenses incurred. Each invoice will contain all hours and expenses from the RFC for the month. Upon receipt of monthly invoice and Client's approval of the work done, which approval shall not be unreasonably withheld or delayed, the Client will remit payment of same amount to the RFC within 30 days.

Article 4. Additional Services

At the Client's request, RFC may submit proposals for additional professional services. Each proposal submitted shall detail: (1) scope of work for the additional services, (2) period of services to be performed, and (3) method and amount of compensation. The Client shall provide written acceptance and authorization to RFC prior to the commencement of work on any proposed additional services. Each proposal for additional services accepted and approved by the Client shall become part of this Agreement and shall be governed by the terms and conditions contained herein.

Article 5. Place of Performance

RFC shall be responsible for maintaining its own office facilities and will not be provided with either office facilities or support by the Client.

Article 6. Indemnification

RFC hereby agrees to indemnify the Client and to hold the Client harmless against any and all claims, action, or demands against the Client and against any and all damages for injury to or death of any person and for loss of or damage to any and all property arising out of the negligent acts, errors or omissions of RFC under this Agreement. RFC shall not be held responsible for any claims caused by the negligence of the Client.

Article 7. Insurance

RFC shall maintain the types and levels of insurance during the life of this Agreement as specified below. The Client will be named as additional insured on the RFC's Certificates of Insurance and the RFC will provide the Client with these Certificates of Insurance.

Commercial general liability insurance - \$1,000,000 for each occurrence and \$2,000,000 in the aggregate

Comprehensive automobile liability insurance - \$1,000,000 combined single limit each occurrence

Workers Compensation insurance – Statutory limits

Professional liability insurance - \$2,000,000 in the aggregate

Excess or Umbrella Liability - \$3,000,000 in the aggregate

Article 8. Confidential Information

RFC acknowledges and agrees that in the course of the performance of the services pursuant to this Agreement, RFC may be given access to, or come into possession of, confidential information of

the Client which information contains privileged material or other confidential information. RFC acknowledges and agrees, except if required by judicial or administrative order, trial, or other governmental proceeding pertaining to this matter, that it will not use, duplicate, or divulge to others any such information belonging to or disclosed to RFC by the Client without first obtaining written permission from the Client. "Confidential information" as used herein, includes, without limitation, information, materials, products, and deliverables developed during, and discoveries and contributions made by RFC in the performance of this Agreement. All tangible embodiments of such information shall be delivered to the Client by RFC upon termination hereof, or upon request by the Client, whichever occurs first. The Client acknowledges RFC has the right to maintain its own set of work papers which may contain confidential information.

Article 9. Independent Contractor Status

It is understood and agreed that RFC will provide the services under this Agreement on a professional basis as an independent contractor and that during the performance of the services under this Agreement, RFC's employees will not be considered employees of the Client within the meaning or the applications of any federal, state, or local laws or regulations including, but not limited to, laws or regulations covering severance, unemployment insurance, old age benefits, worker's compensation, industrial accident, labor, or any other employee benefit or taxes of any kind with respect to the services provided under this Agreement. RFC's employees shall not be entitled to benefits that may be afforded from time to time to Client's employees, including without limitation, vacation, holidays, sick leave, severance, worker's compensation, and unemployment insurance. Further, the Client shall not be responsible for withholding or paying any taxes or social security with respect to RFC's employees. RFC shall be fully responsible for any such withholding and paying of such taxes and social security.

Article 10. Reliance on Data

In performance of the services, it is understood that the Client and/or others may supply RFC with certain information and/or data, and that RFC will rely on such information. It is agreed that the accuracy of such information is not within RFC's control and RFC shall not be liable for its accuracy, nor for its verification, except to the extent that such verification is expressly a part of RFC's scope of services.

Article 11. Opinions and Estimates

RFC's opinions, estimates, projections, and forecasts of current and future costs, revenues, other levels of any sort, and events shall be made on the basis of available information and RFC's expertise and qualifications as a professional. RFC does not warrant or guarantee that its opinions, estimates, projections or forecasts of current and future levels and events will not vary from the Client's estimates or forecasts or from actual outcomes. RFC identifies costs, allocates costs to customer classes and provides rate models. It does not establish rates, which is the responsibility of the NHPUC with input from Client.

Article 12. No Consequential Damages

To the fullest extent permitted by law, neither party shall be liable to the other for any special, indirect, consequential, punitive or exemplary damages resulting from the performance or non-performance of this Agreement notwithstanding the fault, tort (including negligence), strict

liability or other basis of legal liability of the party so released or whose liability is so limited and its officers, directors, employees, licensors, agents, subcontractors, vendors and related entities.

Article 13. Trademark and Trade Name

This Agreement does not give either Party any ownership rights or interest in the other Party's trade name or trademarks.

Article 14. Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed deliverable when delivered in person or deposited in the United States mail, postage prepaid, addressed as follows:

If for the Client:

CHARLES HOPPER
Name

DIRECTOR REGULATORY AFFAIRS
Title

25 MANCHESTER ST, PO BOX 1947
Address

MERRIMACK, NH 03054-1947

If for RFC:

Harold J. Smith
Vice President
Raftelis Financial Consultants, Inc.
1031 S. Caldwell St.
Charlotte, NC 28203

Article 15. Compliance with Applicable Laws

RFC agrees not to discriminate in its employment practices, and will render services under this Agreement without regard to race, color, religion, sex, national origin, veteran status, political affiliation or disabilities.

Any act of discrimination committed by RFC, or failure to comply with these statutory obligations when applicable, shall be grounds for termination of this Agreement.

Article 16. General Provisions

- A. Entire Agreement: This Agreement represents the entire and sole agreement between the Parties with respect to the subject matter hereof.
 - B. Waiver: The failure of either Party to require performance by the other of any provision hereof shall in no way affect the right to require performance at any time thereafter, nor shall the waiver of a breach of any provision hereof be taken to be a waiver of any succeeding breach of such provision or as a waiver of the provision itself. All remedies afforded in this Agreement shall be taken and construed as cumulative; that is, in addition to every other remedy available at law or in equity.
 - C. Relationship: Nothing herein contained shall be construed to imply a joint venture, partnership, or principal-agent relationship between RFC and the Client; and neither Party shall have the right, power, or authority to obligate or bind the other in any manner whatsoever, except as otherwise agreed to in writing.
 - D. Assignment and Delegation: Neither Party shall assign or delegate this Agreement or any rights, duties, or obligations hereunder without the express written consent of the other. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding upon the successors, legal representatives, and assignees of the Parties hereto.
 - E. Severability: If any provision of this Agreement is declared invalid or unenforceable, such provision shall be deemed modified to the extent necessary and possible to render it valid and enforceable. In any event, the unenforceability or invalidity of any provision shall not affect any other provision of this Agreement, and this Agreement shall continue in force and effect, and be construed and enforced, as if such provision had not been included, or had been modified as above provided, as the case may be.
 - F. Governing Law: This Agreement shall be governed by, and construed in accordance with, the laws of the State of New Hampshire.
 - G. Paragraph Headings: The paragraph headings set forth in this Agreement are for the convenience of the Parties, and in no way define, limit, or describe the scope or intent of this Agreement and are to be given no legal effect.
 - H. Third Party Rights: Nothing in this Agreement shall be construed to create or confer any rights or interest to any third party or third party beneficiary. It is the intent of the parties that no other outside, non-party claimant shall have any legal right to enforce the terms of this Agreement.
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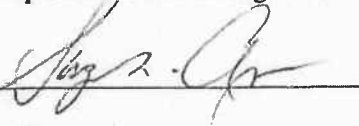
IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives.

By: Donald L. Ware
Signature
CHIEF OPERATING OFFICER
Title
3/19/2013
Date
[Signature]
Witness

Raftelis Financial Consultants, Inc.

By: [Signature]
Signature
Vice President
Title
3/15/2013
Date
[Signature]
Witness

This is to certify that an appropriation in the amount of this contract is available therefore and that
RONALD L. WARE has been authorized to execute the contract and approve
all requisitions and change orders.

By 

Corporate Secretary
Title

Seal

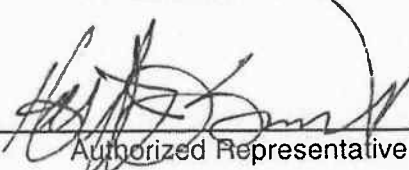
**CONSULTANT
INDEMNIFICATION**

- (a) To the fullest extent allowable by law, the Consultant, and any subconsultant engaged by the Consultant, shall protect, indemnify and hold harmless the owner, including Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, The Southwood Corporation, Pennichuck Water Service Corporation and their respective successors, assigns, directors, employees and agents, (hereafter sometimes called "Indemnitees") from and against any and all claims, actions, damages, losses, costs and expenses (including attorneys fees), arising out of the negligent acts, errors, or omissions, by the Consultant, or any subconsultant engaged by the Consultant, or by any employees, subconsultant, or agents of the same.
- (b) In any and all claims against the Owner or any of its agents or employees by any employee of the Consultant, any subconsultant, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the indemnification obligations of the Consultant under this paragraph shall not be discharged, mitigated, reduced, negated, abridged, or released, by damages, compensation, or benefits payable by or for the Consultant, or any subconsultant under workman's compensation acts, disability benefit acts, or other employee benefit acts.
- (c) Nothing contained in this Section shall be construed to provide for any indemnification which would (I) violate applicable law; (II) void any or all of the provisions of this Article; or (III) negate, abridge, eliminate or otherwise reduce any other indemnification or right which the Owner has by law.
- (d) Consultant agrees that it will contractually obligate its subconsultants to indemnify and hold harmless the Indemnitees to the same extent that Consultant is required to indemnify and hold harmless such Indemnitees hereunder.

Water Cost of Service Study
Project

Raftelis Financial Consultants, Inc.
Consultant Name

3/15/13
Date


Authorized Representative

INSURANCE

CONTRACTOR'S AND SUBCONTRACTORS INSURANCE

- (a) The Contractor shall not enter into this contract, and no contract work shall begin thereunder, until the Contractor shall have obtained all the insurance required hereunder, and such certificates of insurance, and copies of endorsements, if required by the Owner, shall have been submitted to the Owner for its approval, nor shall the Contractor allow any subcontractor to commence work on its contract until all insurance, required of such subcontractor hereunder, shall have been so obtained and approved. Approval of certificates or endorsements of insurance by the Owner shall not relieve or decrease the liability of the Contractor under all the terms of this Agreement. All insurance shall be placed with insurance companies rated A-7 or better by the then-current edition of Best's Key Rating Guide, and such insurance companies must be authorized to do business in the State of New Hampshire. Unless subject to the terms of paragraph d., below, all insurance coverage shall be written on an "occurrence" basis, shall remain in effect, and shall not be modified, at least through the final completion of the contract, unless provided for otherwise in the contract documents.

Contractor agrees that it will contractually obligate its subcontractors to promptly advise Contractor of any changes or lapses of the requisite insurance coverage's and Contractor agrees to promptly advise owner of same. Contractor assumes all responsibility for monitoring Sub-contractor insurance certificates for compliance with the insurance provisions of this Agreement.

- (b) All policies of insurance must contain a provision giving the Owner thirty (30) day prior written notice by registered mail of any cancellation or material change in coverage.
- (c) The insurance provisions of this Agreement shall not be construed as a limitation on the Contractor's responsibilities and liabilities pursuant to the terms and conditions of this Agreement, including liability for claims in excess of the insurance limits and coverage's set forth herein.
- (d) All policies of insurance required of the Contractor hereunder shall provide that coverage under such policies shall continue in force favoring the owner, as required hereunder, for a period of two (2) years following the date of completion as defined in this Agreement.

REQUIRED COVERAGE'S:

WORKERS COMPENSATION AND EMPLOYERS LIABILITY

The Contractor shall purchase and maintain during the life of the contract, statutory Worker's Compensation Coverage in the name of the Contractor with a minimum of \$500,000/500,000/500,000 Employer's Liability Insurance in the contractor's name, which shall fully comply with all state and federal requirements applying to such insurance and which shall

include broad form all-states and voluntary compensation endorsements for all his employees to be engaged in work on the project under this contract. If applicable, United States Longshoremen and Harborworker's Coverage must be provided.

COMMERCIAL GENERAL LIABILITY

The Contractor shall purchase and maintain during the life of the contract a Commercial General Liability Policy in the name of the contractor, with minimum limits of \$2,000,000.00 combined single limit, covering the following: Premises/operations; Independent Contractors Protective; Contractual; Broad Form Property Damage; Personal Injury; Product/Completed Operations. Property Damage Liability Insurance shall include coverage for (x) explosion, (c) collapse, and (u) underground (to include jacking and/or boring operations if applicable). The Contractor may provide the coverage required herein through the use of a primary liability policy or through a combination of primary liability and umbrella/excess liability policies.

Additionally, the Policy(ies) shall:

- (a) Name Pennichuck Corporation, Pennichuck Water Works, Inc., Pennichuck East Utility, Inc., Pittsfield Aqueduct Company, The Southwood Corporation, Pennichuck Water Service Corporation and their successors and assigns as additional named insured.
- (b) Stipulate that such insurance is primary and is not additional to or contributory with any other insurance carried by or for the benefit of the owner or any of its successors or assigns.
- (c) Waive any and all right of subrogation against the Owner or any of its successors or assigns.
- (d) Contain cross liability or severability of interest endorsements.
- (e) Policy to be endorsed to provide per-job limits.

COMMERCIAL AUTOMOBILE LIABILITY

The Contractor shall procure and maintain during the life of this contract, a Commercial Automobile Liability Policy in the name of the contractor in an amount not less than \$1,000,000.00 combined single limit per occurrence for bodily injury, and property damage covering all owned, non-owned, leased and hired vehicles.

Subcontractors Insurance Requirements - the Contractor shall either a) require each of his subcontractors to procure and maintain during the life of the subcontract, insurance of the type and in the amounts specified in the insurance requirements of the Contract or b) insure the activities of his subcontractors in the Contractor's policy.

SCOPE OF SERVICES

TASK 1 - PREPARE COST OF SERVICE STUDY

RFC will develop a cost allocation model that will be used to perform the allocation of revenue requirements to the various components of the water rates and charges. We have reviewed the cost of service study (COSS) and the NHPUC order from PEU's last filing and have developed an understanding of the allocation methodology used in that filing. We anticipate using the widely accepted AWWA cost allocation methods in our study. Mr. Woodcock was one of the primary authors of the cost allocation portion of the AWWA rate manuals and we are quite familiar with all aspects of these methods. We also understand that this filing will likely involve the complete phase-in of an allocation adjustment that results in the recovery of more revenue through the fire protection charges. Mr. Woodcock was also a primary author of the fire protection section of the AWWA Rate Manual and is fully aware of all aspects of fire protection rates and charges.

The cost allocation model will be prepared using Microsoft Excel® and will be designed as a flexible, easily updatable planning tool. The model will perform and demonstrate the development of all allocation factors and will perform all cost allocations. The model will also generate all schedules and exhibits required to support the rate request.

Based on our review of previous PEU filings, it appears that a COSS report will also be required. RFC will prepare a report that details the cost allocation approach and supports the need for any proposed changes in allocation methodology.

TASK 2 - PREPARE DATA RESPONSES

RFC will prepare responses to data requests from other parties regarding the COSS.

TASK 3 - TECHNICAL SESSIONS

RFC's Project Manager will attend any technical sessions at the NHPUC to discuss the COSS.

TASK 4 - REVIEW TESTIMONY OF OTHERS

RFC will review testimony filed by NHPUC staff and interveners.

TASK 5 - REBUTTAL TESTIMONY

If necessary, RFC will prepare rebuttal testimony to address issues presented in the testimony of others.

TASK 6 - REVISE AND FINALIZE COST OF SERVICE STUDY

RFC will also revise and/or update the COSS and cost allocation model to addresses any changes that are warranted as a result of the discovery process or settlement discussions. The COSS will also be revised to reflect the revenue class distribution for temporary rates. Once the cost allocation approach is finalized, a final COSS will be prepared.

I FEE PROPOSAL

TASK1

We propose to complete Task 1 for the fixed fee of \$ [REDACTED]

TASKS 2-6 OF OUR SCOPE OF SERVICES (TASKS 2-8 OF THE RFP)

We consolidated Tasks 2-8 described in the RFP into Tasks 2-6 as described in our Scope of Services. For these Tasks, we will use the following hourly billing rates:

- > Harold Smith - [REDACTED]
- > Chris Woodcock - [REDACTED]
- > Collin Drat - [REDACTED]
- > Administrative Support - [REDACTED]

ADMINISTRATIVE FEES

RFC does not charge a fixed administrative fee for each billing, rather we bill our clients hourly for administrative support at a rate of \$60/hour. Costs for administrative support are included in our proposed fixed fee.

EXPENSES

Expenses include costs associated with travel, and a [REDACTED] per hour technology charge covering computers, networks, telephones, postage, etc.