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PENNICHUCK WEBCAST TRANSCRIPTION

Announcer: Good day and welcome everyone to the Pennichuck Corporation announcement of 2005 earnings results conference call and webcast. This call is being recorded. At this time, I would like to turn the call over to the chief executive officer, Mr. Don Correll. Please go ahead, sir.

Don Correll: Thank you and welcome to everyone who is listening in. My name is Don Correll, I'm president CEO. With me today is Bill Patterson, who is our vice president, treasurer, and chief financial officer. He'll be available, as will I, at the end of this to make a few comments and more to answer any questions you may have, but I want to thank all of you for dialing in and listening and for your continued interest in Pennichuck. I think in addition to this being our 2005 earnings result, this is a fairly important date in Pennichuck's history as well because today's actually our official dividend payment date, and the first quarter of 2006 marks the 150th anniversary of Pennichuck paying consecutive dividends. There's not too many companies that can brag about a record like that. We're quite proud of it, and we'll be celebrating that tomorrow by ringing the closing bell at the Nasdaq in celebration of 150 years of consecutive dividends, so we know how important dividends are to all of our investors and we're proud of the record that we have. I'd like to discuss briefly the earnings. If you all have the slides in front of you, I'd move to the second slide which is the statement of what we're required to read to each of you indicating that this is your Miranda rights and you understand that we may be making some forward looking statements and they're covered by the act as noted. If you go to the third page that's entitled Comparative Earnings, I'd point specifically to the improvement that we continue to have in both consolidated revenues and in our utility revenues. Our utility operating revenues were up by 10% year over year, 2005 over 2004, and this is a result of the combination of more normal weather but an aggressive campaign that the company has started to file for its rate increases that are necessary to support the ongoing investment, and as a result we were able to show improvement in both the revenues as well as the utility operating income. Unfortunately, in the third line you can see the impact that the eminent domain saga that is now in its fourth calendar year is continuing to have on the company, and the fact that last year, particularly as a result of some very heavy expenditures in the third quarter in the run up period for the fourth quarter, in the run up period to when we made some filings with the PUC we had some substantial charges for both litigation support as well as for consultants and engineers and valuation as well. You can see as a result of that spending we spent almost a million dollars more in 2005 than we did in 2004. We do believe that 2005 will have been the peak year, however as we have disclosed in our official statement as a result of our filings last year, we do believe that it's possible that anywhere from \$1 to \$2 million dollars a year may in fact be the level that we would be spending until this litigation is brought to its conclusion. The other item impacting 2005 versus 2004 is that we did have a real estate transaction in 2004 and we did not have anything that replicated that. We spent more of our time and effort last year in 2005 preparing some of our real estate for ultimate development and sale in 2006 and beyond.

Turning to the next page, I've already discussed the level since the one entitled "Municipalization of Eminent Domain Charges 2005". I've described the reason for the run up and expenses particularly in the 4th quarter of last year. That was in preparation of the January filing, where both the public interest as well as the valuation testimony was presented by

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Pennichuck and additional valuation testimony was presented by the City. We have continued with discovery and depositions following those filings, and we are actively pursuing the litigation throughout this first quarter of 2006. We do expect that the costs will continue to mount. We do expect that they may moderate somewhat over the summer, but again I would point to the level of \$1 to \$2 million that we've disclosed in the past as being perhaps the annual level of expenditures that we may have. We are prepared to do what we need to do. We have set forth both our legal as well as our public information defenses, but needless to say, it is a distraction of time and effort, but it's something we are prepared to continue to do to protect the franchise and to protect all the interests of all of our constituents.

Moving on to the next page, "Municipalization Recap", all the testimony was filed just about a month and a half ago. We expect that the next significant items in addition to all of the discovery and depositions that are ongoing is that the Public Utilities Commission Staff as well as the Office of Consumer Advocate are scheduled to file their first testimony in this proceeding sometime in mid-April, and there in their schedule that lays out the different filings and the like for the rest of the year as the first evidentiary hearings are scheduled for January, 2007 and there has been no change in that schedule over the last several months.

Moving on to the next page, "The 2006 Action Plan and Key Developments", we are continuing back on the utility operation side to proceed with the construction of our filtration plant upgrade and enhancements. That was something we started in 2005, actually late 2004. We are proceeding with that. It is currently estimated that that is a \$35 to \$38 million project. Everything is following the schedule that we have disclosed in the past. As most of you are aware, most of the funding for that was accomplished in 2005. Bill Patterson, who's here with me, and his staff had done a terrific job in the last year in refinancing not only a lot of our existing debt instruments, but bleeding us through the financing for the entire construction program for the next three to four years, as well as bleeding us with a very successful equity offering that we did in the summer of last year. We also have continued to prosecute the rate proceedings. We had a settlement of our Pennichuck East rate filing that was made late last spring. We negotiated a settlement of that. We have had implemented approximately a 24.3, 24.2% rate increase that took effect retroactive to last May. That was approved by the Commission within the last two weeks, and we will certainly expect to see some continued improvement in the Pennichuck East financial results going through 2006. Likewise, as a result of not just inflationary pressures but more particularly the impact of the filtration plant upgrades, we do expect that we will be filing another rate increase for Pennichuck Water Works by the middle of this year. The actual time and announcer are yet to be determined, but they are consistent with what we had outlined in some of our prior releases. On the business development side, a success we had near the end of the year, which we took over the operation of just within the last month, was the Hyannis water system. Teamed with RH White, Pennichuck was the successful bidder in that contract, and that along with the integrated water acquisition of the two highlights of our business development for 2005 and moving forward into 2006.

On the last page, we have set our shareholder meeting date for Thursday, May the fourth. We have a record date set for March 15th, and we look forward to as many of you who can possibly make it to join us for that meeting, and with that I'd be glad to take any questions you may have, and again I thank you for your participation.

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Announcer: Thank you. At this time, if you'd like to register your (time?) for a question, you may do so by pressing the star key followed by the digit one on your touchtone telephone. If you're using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Once again, if you'd like to ask a question, please press star one on your touchtone telephone. We'll pause for just a moment, give everyone an opportunity to signal for questions. We go first to David Chandler, with Channing, Montgomery, Scott. Please go ahead.

David Chandler: Yes, good afternoon. How you doing?

Don Correll: Hello, David.

David Chandler: Couple of questions. First of all, with regard to the upcoming opining, if you will, of the Consumer Advocate, the Staff, and ultimately at the end of the process the Commission, has there been any indications, you know, up till now, on the preliminary basis, of any either sticking points or points of real differentiation between Consumer Advocates, the Staff, and perhaps maybe the Commission itself, or has the process evolved to the point where you had a sense of how they feel about the eminent domain process?

Don Correll: Thank you, David. I would say that despite the fact that we are almost at the second anniversary date of the City's official filing of the eminent domain petition, and I may have misspoken earlier when I said we were in our fourth calendar year, we're actually in our fifth calendar year of this saga, but even though we're coming up to the second anniversary date of their filing, I think it is just a touch premature yet, given that the first year, other than a petition having been filed, there was almost no evidence of any kind that was submitted to the Commission. There was a lot of wrangling about legal issues, what could the City legally have the right to take? And the first year we really didn't get into any substantive discussion. I think we've had one technical session so far. A technical session is what they refer to here as the time where you might air out some of your interests, thoughts, differences that hadn't come up in some of the discovery and the like, and that was just held within the last two weeks. I think it's fair to say without putting words in the mouth that the Staff is still digesting what the City has put forth. Except for a placeholder filing that the City filed testimony in support of their acquisition over a year ago, there really wasn't any substantive testimony submitted, even by the City, until just the middle of January as well. I think the only other (?) I could add to it is that judging by the numbers of questions that have been asked by the Advocate and more particularly by the Staff, I would say that perhaps because they know the company better and they know most of the information because of our regular questions, they have asked a whole lot more questions in discovery of the City of Nashua and their consultants than they have of the company, but other than that I think it's premature to give any other kind of reading as to where their testimony may come out.

David Chandler: Okay. My other question had to do with real estate issues, because you both probably know, you and Bill, it's very difficult for us on the other side of the fence to come up with what we consider to be some valuation parameters involving real estate, because it certainly isn't a predictable ongoing business. That's not only true, I guess, for Pennichuck, but it's true

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of every other utility you've had some involvement in real estate. Is there anyway for you to give us any rough ideas about maybe percentage of book or some other parameter that we can kind of use as a guidepost for expectations not necessarily just for '06, since I know that that would be much too specific, but maybe in terms of '06 and '07 combined.

Don Correll: Well, I know we have discussed this before and we've dealt with it with some of our presentations when we had our equity offering. We know that historically, if one looks at what Pennichuck was doing throughout the decade of the 90's and maybe even the first two or three years of this century, there were times when as much as 50% or more of our reported income was coming from real estate, and there was a time when it was really a liquidation of almost raw land and part of the raw land portfolio. I don't believe, and it isn't certainly part of our plan, that we'll necessarily see that kind of income contribution moving forward on any kind of a sustained basis. However, we believe that our ability to perhaps have as little as 10% to as much as 25% or so of our income coming from the methodical, organized, planned liquidation of the real estate over a period of five to seven years that we might be able to see something, not just in '06 and '07, but that kind of parameter of level of income contribution over that timeframe. So I think we'd like to be able to see a contribution certainly of the level that we had in '04 on a regular basis, and we think we can achieve that on a regular basis during that period, and there may be some years where it's a little bit more, but I would set the parameters that I don't think getting to a 50% earnings is something that we necessarily see on a regular basis.

David Chandler: No, but conversely you're not expecting '05 to reappear very often. Is that true?

Don Correll: That is true.

David Chandler: Okay. Thanks a lot.

Announcer: Again, as a reminder, please press star one on your touchtone telephone to ask a question, and again if you're using a speakerphone, please make sure that your mute function is turned off so that your signal can reach our equipment. Once again, please press star one on your touchtone telephone to ask a question at this time. I'm going to pause for a moment to give everyone a chance to signal. And there are no further questions at this time. I'd like to turn the conference back over to Mr. Don Correll for any additional and/or concluding comments.

Don Correll: Well, thank you all once again for listening in. Thank you for your continued interest in Pennichuck. Thank you for your continued support and your calls and e-mails and for all of you that can spend five minutes tomorrow at your computer, certainly dial in to see the live webcast where I'll be joined by Bill and our chairman, John (Creck?) and others here from the company as we ring the closing bell at Nasdaq, and thank you again for your support and I hope to see some of you at our shareholder meeting.

Announcer: Ladies and gentlemen, this does conclude today's conference call. We do thank you for your participation, and at this time you may now disconnect your lines.