

Fall 2012

The WaterLine

P e n n i c h u c k W a t e r

Water Infrastructure & Conservation Adjustment



Pennichuck's primary goal is to provide exceptional service and delivery of quality water 24 hours a day, 365 days a year. We regularly evaluate the infrastructure of our systems to identify areas that require improvement. As part of Pennichuck's most recent rate proceedings, the New Hampshire Public Utilities Commission granted approval for us to implement a Water Infrastructure and Conservation Adjustment (WICA) surcharge. This allows Pennichuck to place a surcharge into rates to recover the costs of replacing aging infrastructure.

WICA covers the replacement of water mains, valves and hydrants that have either reached the end of their useful life or are negatively impacting water quality or service reliability. The benefits of this program to our customers are that it provides for more consistent replacement of aging infrastructure, which in turn increases reliability of service. The program also provides for smaller rate increases by permitting recovery of the expenses associated with the replacement of aging

infrastructure between rate cases. By making improvements now, we will protect valuable water assets while providing customers with continued water quality and service.

Pennichuck will be filing a 3 year plan for WICA related project expenses for 2013 through 2015 to the New Hampshire Public Utilities Commission for review and approval before the end of this year. When the 2013 approved WICA projects are completed and in service, we will file for final approval of these projects and the recovery of the related expenses via the WICA surcharge. Therefore, the first WICA surcharge that you may see on your water bills will occur around April of 2014. The surcharge is limited to a maximum of a 2% increase in any year with a maximum increase of 7.5% between full rate case proceedings.

More detailed information will be provided next year as we get closer to the actual implementation of the surcharge. Please contact Customer Service at **1-800-553-5191** with any questions.

OUR OFFICES WILL BE CLOSED IN OBSERVANCE OF THE FOLLOWING HOLIDAYS:

Veterans Day
November 12, 2012

Thanksgiving Holiday
November 22 & 23, 2012

Christmas Holiday
December 24 & 25, 2012

New Year's Day
January 1, 2013

However, as always, even through the holidays we have staff available 24/7 to respond to emergencies. Please call 1-800-553-5191.





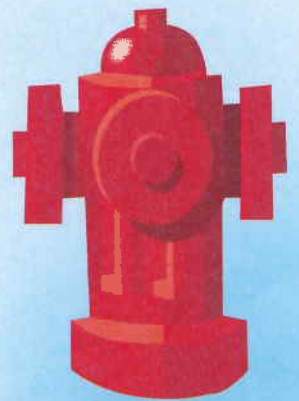
Protecting your meter and pipes during the winter...

Every winter season poses the risk for frozen pipes and a frozen meter in your home. You can take easy steps to prevent the associated inconvenience, damage, and expense resulting from frozen pipes.

Here's how!

- Know where the main shut off valve inside your home is located. If a pipe freezes or bursts, shut the water off immediately. Some homes have secondary shut off valves for water pipes that run outside or to unheated areas like garages, and those pipes should be shut off and drained during cold weather.
- Keep warm air circulating in the area around the meter and water pipes. If your meter is boxed in, provide a way for warm air from the house to circulate around the meter.
- If the area around the meter/pipes is not heated, wrap the meter and surrounding lines with insulation and heat tape. (These can be found at local hardware stores).
- Normally, we would not advise you to let water run extraneously, however, in cases of extreme cold (especially if the meter/piping is located on an outside wall), letting one faucet run very slowly helps to avoid freezing.
- If your meter is in a pit, keep the lid closed tightly and make sure there are no cracks. Let any snow that falls cover it, snow acts as insulation.
- Seal cracks in windows, walls, or doors near the meter and pipes.
- Disconnect and drain outside hoses. Detaching the hose completely allows water to drain thoroughly and helps avoid freezing at the faucet or pipe to which it is connected.
- Water pipes should be buried at least five feet underground. If the water pipes outside your home are not buried this deep they should be drained during the winter months.

With the winter months approaching, please keep in mind that snow removal around fire hydrants is critical in the event of a fire emergency. We ask that plowing snow by private contractors or customers be done in a manner that does not bury fire hydrants. Thank you for your efforts!



Customer Contact Information

In order to expedite customer notification in the event of an emergency it is important for us to have your current contact information. At your convenience, please take the time to provide us with your current phone number and email address. You can do this by making a quick and easy phone call to customer service at 1-800-553-5191 Monday through Friday between the hours of 7:30am and 5:00pm. You may also email this information to customer-service@pennichuck.com, along with your account number or property location.



Pennichuck
25 Manchester Street
PO Box 1947
Merrimack, NH 03054-1947

800 553 5191
603 882 5191
Fax 603 913 2362

Pennichuck.com

Pennichuck Water Works, Inc.
Proposed 2013 WICA Water Main Projects
12/7/2012

PIPE SEGMENT OR PROJECT NAME	CITY/TOWN	MATERIAL	LENGTH (FEET)	PIPE DIAMETER (INCHES)	ESTIMATED COST	AGE OF PPE	PIPE AGE		BREAK HISTORY	KEY CUSTOMERS	WATER QUALITY	FIRE PROTECTION FLOWS ²	Work coordination with Sewer or Storm Drain Replacement	Subtotal prior to Geographical Area Points	GEOGRAPHICAL PROXIMITY	TOTAL
							USEFUL LIFE	FULLY DEPREC								
Baldwin St	NASHUA	CAST IRON UNLINED	100	8	\$ 84,000.00	1938	70	YES					5	6	2	8
Baldwin St	NASHUA	CAST IRON UNLINED	1,076	8	\$ 280,000.00	1938	70	YES					5	6	2	8
Fairmount St	NASHUA	CAST IRON UNLINED	1,100	8	\$ 260,000.00	1901	70	YES					5	7	3	10
Fairmount St - Railroad Crossing	NASHUA	CAST IRON UNLINED	120	8	\$ 100,000.00	1901	70	YES					5	5	3	8
Chestnut St	NASHUA	CAST IRON UNLINED	988	6	\$ 265,007.00	1887	70	YES	1		1		5	8	3	11
Pleasant St	NASHUA	CAST IRON UNLINED	433	4	\$ 116,000.00	1891-1897	40	YES					5	5	2	7
Ash St	NASHUA	CAST IRON UNLINED	691	8	\$ 240,000.00	1931	70	YES					5	5	2	7
Walnut St	NASHUA	CAST IRON UNLINED	625	4	\$ 210,000.00	1888	40	YES	1				5	6	2	8
Middle St	AMHERST	CEMENT ABESTOES	1,110	6	\$ 150,000.00	1950	40	YES	1				5	6	2	8
Cross St	AMHERST	CEMENT	370	4	\$ 50,000	1950	40	YES					5	5	2	7
Total LF -			6,613	Total -	\$ 1,755,007.00											
Service Replacements³ -	31	@	\$ 1,858.00	Each	\$ 57,598.00	Total estimated Service Replacement Costs										
Planning Contingency⁴ -					\$ -											
Total Estimated WICA \$\$ in 2013 -					\$ 1,812,605.00											

1. Material Integrity - Rating of 1 point for each break in the last 20 years.
2. ISO Fire Ratings - A rating of 1 for each 500 gpm that the flow in the watermain is less than the ISO required rating.
3. Number of Service replacements is the average of the past 5 years. The average cost of a service replacement is the average cost over the past 4 years.
4. The City has added to its initial sewer replacement in previous years. PWV must complete replacement of its mains when the City replaces its sewer mains. A contingency of 25% is carried to account for this.

Pennichuck Water Works, Inc.
Proposed 2014 WICA Water Main Projects
12/7/2012

PIPE SEGEMENT OR PROJECT NAME	CITY/TOWN	MATERIAL	LENGTH (FEET)	PIPE DIAMETER (INCHES)	ESTIMATED COST	AGE OF PPE	PIPE AGE USEFUL LIFE	FULLY DEPREC	BREAK HISTORY	KEY CUSTOMERS	WATER QUALITY	FIRE PROTECTION FLOWS ²	Work coordination with Sewer or Storm Drain Replacement	Subtotal prior to Geographical Area Points	GEOGRAPHICAL PROXIMITY	TOTAL
HAMILTON ST	NASHUA	CAST IRON UNLINED	411	6	\$ 122,000.00	1909	70	YES		1				1	2	3
BROOK ST	NASHUA	CAST IRON UNLINED	1138	6	\$ 250,000.00	1887	70	YES		1				1	3	4
LOVELL ST	NASHUA	CAST IRON UNLINED	1383	4 & 6	\$ 200,000.00	1892	40 & 70	YES	1	1		3		5	3	8
MARQUIS AVE	NASHUA	STEEL	124	2	\$ 40,000.00	1945	40	YES	1	1				2	3	5
ROCHETTE AVE	NASHUA	STEEL	163	2	\$ 50,000.00	1952	40	YES	1	1				2	3	5
VERONA ST	NASHUA	CAST IRON UNLINED	708	6	\$ 220,000.00	1913	70	YES		1				1	2	3
SARASOTA AVE	NASHUA	CAST IRON UNLINED	240	6	\$ 82,000.00	1922	70	YES		1				1	2	3
MANATEE ST	NASHUA	CAST IRON UNLINED	240	6	\$ 60,000.00	1926	70	YES		1				1	2	3
BURRITT ST	NASHUA	CAST IRON UNLINED	523	4 & 6	\$ 110,000.00	1887	40 & 70	YES		1				1	2	3
MIAMI ST	NASHUA	STEEL	427	2	\$ 100,000.00	1927	40	YES	1			3		4	3	7
DUDLEY ST	NASHUA	STEEL	400	2	\$ 80,000.00	1936	40	YES	2					2	2	4
PROCTOR ST	NASHUA	STEEL	206	8	\$ 75,000.00	1930	70	YES	1					1	3	4
PROCTOR ST	NASHUA	STEEL	136	1.25	\$ 60,000.00	1940	40	YES	1					1	3	4
MULVANITY ST	NASHUA	STEEL	285	2	\$ 40,000.00	1941	40	YES						0	3	3
			Total LF -	6,384	Total - \$	1,489,000.00										
Service Replacements³ -	31	@	\$ 1,858.00	Each	\$	57,598.00	Total estimated Service Replacement Costs									
					Planning Contingency⁴ - \$	-										
					Total Estimated WICA \$\$ in 2014 - \$	1,546,598.00										

1. Material Integrity - Rating of 1 point for each break in the last 20 years.
2. ISO Fire Ratings - A rating of 1 for each 500 gpm that the flow in the watermain is less than the ISO required rating.
3. Number of Service replacements is the average of the past 5 years. The average cost of a service replacement is the average cost over the past 4 years.
4. The City has added to its initial sewer replacement in previous years. PWV must complete replacement of its mains when the City replaces its sewer mains. A contingency of 25% is carried to account for this.

Pennichuck Water Works, Inc.
Proposed 2015 WICA Water Main Projects
12/7/2012

PIPE SEGEMENT OR PROJECT NAME	CITY/TOWN	MATERIAL	LENGTH (FEET)	PIPE DIAMETER (INCHES)	ESTIMATED COST	AGE OF PPE	PIPE AGE USEFUL LIFE	FULLY DEPREC	BREAK HISTORY	KEY CUSTOMERS	WATER QUALITY	FIRE PROTECTION FLOWS ²	Work coordination with Sewer or Storm Drain Replacement	Subtotal prior to Geographical Area Points	GEOGRAPHICAL PROXIMITY	TOTAL
FIELD ST	NASHUA	CAST IRON UNLINED	377	6	\$ 82,000.00	1922-1924	70	YES						0	2	2
FOSSA AVE	NASHUA	CAST IRON UNLINED	294	4 & 6	\$ 80,000.00	1928	40 & 70	YES				2		2	3	5
PRATT ST	NASHUA	CAST IRON UNLINED	413	6	\$ 130,000.00	1908	70	YES						0	2	2
ZELLWOOD ST	NASHUA	CAST IRON UNLINED	367	4	\$ 83,000.00	1933	40	YES						0	2	2
REVERE ST	NASHUA	CAST IRON UNLINED	714	6	\$ 160,000.00	1921	70	YES						0	2	2
MORTON AVE	NASHUA	STEEL PIPE	456	1.5	\$ 75,000.00	1945	40	YES						0	2	2
EVERGREEN ST	NASHUA	STEEL PIPE	215	2	\$ 52,000.00	1947	40	YES						0	2	2
TEMPLE ST	NASHUA	CAST IRON UNLINED	1256	8	\$ 360,000.00	1888	70	YES				4		4	2	6
TEMPLE ST	NASHUA	CAST IRON UNLINED	974	10	\$ 250,000.00	1904	85	YES				3		3	2	5
WORCESTER ST	NASHUA	CAST IRON UNLINED	554	6	\$ 160,000.00	1888-1931	70	YES						0	2	2
SCRIPTURE ST	NASHUA	CAST IRON UNLINED	458	8	\$ 120,000.00	1924	70	YES						0	2	2
SHEDS AVE	NASHUA	STEEL PIPE	209	2	\$ 40,000.00	1948	40	YES						0	3	3
D Street	NASHUA	CAST IRON UNLINED	452	4	\$ 125,000.00	1898	40	YES				2		2	2	4
E Street	NASHUA	CAST IRON UNLINED	306	6	\$ 85,000.00	1909	70	YES				2		2	2	4
Total LF -			7,045	Total -	\$ 1,802,000.00											
Service Replacements ³ -	31	@	\$ 1,858.00	Each	\$ 57,598.00	Total estimated Service Replacement Costs										
Planning Contingency⁴ -					\$ -											
Total Estimated WICA \$\$ in 2015 -					\$ 1,859,598.00											

1. Material Integrity - Rating of 1 point for each break in the last 20 years.
2. ISO Fire Ratings - A rating of 1 for each 500 gpm that the flow in the watermain is less than the ISO required rating.
3. Number of Service replacements is the average of the past 5 years. The average cost of a service replacement is the average cost over the past 4 years.
4. The City has added to its initial sewer replacement in previous years. PWW must complete replacement of its mains when the City replaces its sewer mains. A contingency of 25% is carried to account for this.

PENNICHUCK WATER WORKS, INC.
WICA Surcharge Calculation
DW 12-

Attachment C
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	<u>2013</u>	<u>2014</u>	<u>2015</u>
Plant Additions	\$ 2,251,357	\$ 1,918,848	\$ 2,310,098
Pre Tax Rate of Return	6.04%	6.04%	6.04%
Revenue Requirement	\$ 135,982	\$ 115,898	\$ 139,530
Depreciation	\$ 36,448	\$ 31,128	\$ 37,388
Property Taxes	\$ 57,769	\$ 49,238	\$ 59,277
Overall Revenue Requirement	\$ 230,199	\$ 196,264	\$ 236,195
Cumulative Revenue Requirement	\$ 230,199	\$ 426,463	\$ 662,658
Water Revenues per DW 10-091	\$ 26,997,163		

Overall Revenue Surcharge Amount	0.85%	0.73%	0.87%
Cumulative Revenue Surcharge Amount	0.85%	1.58%	2.45%

Calculation of Pre Tax Rate of Return (Based on DW 11-026)

	<u>Weighted Cost</u>	<u>Tax Multiplier</u>	<u>Pre Tax Cost</u>
Debt	6.04%	1.000	6.04%
Equity	<u>0.00%</u>	1.681	<u>0.00%</u>
	6.04%		6.04%

Customer Impact

5/8 inch Meter Charge	\$ 20.34	\$ 20.34	\$ 20.34
Volumetric Charge	\$ 3.30	\$ 3.30	\$ 3.30
Average Single Family Residential Usage (CCF)	7.88	7.88	7.88
Monthly Usage	\$ 26.00	\$ 26.00	\$ 26.00
Total Month Charge	\$ 46.34	\$ 46.34	\$ 46.34

Monthly Impact of Surcharge	\$ 0.40	\$ 0.34	\$ 0.41
Cumulative Monthly Impact of Surcharge	\$ 0.40	\$ 0.73	\$ 1.14

PENNICHUCK WATER WORKS, INC.
WICA Surcharge Calculation
DW 12-

2013	Investment			Depreciation Expense		Property Tax Expense	
	Investment	Retirement ¹	Net Investment	Depreciation Rate ²	Depreciation Expense	Mil Rate ³	Property Tax Expense
Mains	\$ 1,755,007	\$ -	\$ 1,755,007	1.60%	\$ 28,080	25.66	\$ 45,033
Contingency	\$ 438,752	\$ -	\$ 438,752	1.60%	\$ 7,020	25.66	\$ 11,258
Hydrants	\$ -	\$ -	\$ -	2.24%	\$ -	25.66	\$ -
Services	\$ 57,598	\$ -	\$ 57,598	2.34%	\$ 1,348	25.66	\$ 1,478
Valves	\$ -	\$ -	\$ -	1.60%	\$ -	25.66	\$ -
Total	\$ 2,251,357	\$ -	\$ 2,251,357		\$ 36,448		\$ 57,769

2014	Investment			Depreciation Expense		Property Tax Expense	
	Investment	Retirement ¹	Net Investment	Depreciation Rate ²	Depreciation Expense	Mil Rate ³	Property Tax Expense
Mains	\$ 1,489,000	\$ -	\$ 1,489,000	1.60%	\$ 23,824	25.66	\$ 38,208
Contingency	\$ 372,250	\$ -	\$ 372,250	1.60%	\$ 5,956	25.66	\$ 9,552
Hydrants	\$ -	\$ -	\$ -	2.24%	\$ -	25.66	\$ -
Services	\$ 57,598	\$ -	\$ 57,598	2.34%	\$ 1,348	25.66	\$ 1,478
Valves	\$ -	\$ -	\$ -	1.60%	\$ -	25.66	\$ -
Total	\$ 1,918,848	\$ -	\$ 1,918,848		\$ 31,128		\$ 49,238

2015	Investment			Depreciation Expense		Property Tax Expense	
	Investment	Retirement ¹	Net Investment	Depreciation Rate ²	Depreciation Expense	Mil Rate ³	Property Tax Expense
Mains	\$ 1,802,000	\$ -	\$ 1,802,000	1.60%	\$ 28,832	25.66	\$ 46,239
Contingency	\$ 450,500	\$ -	\$ 450,500	1.60%	\$ 7,208	25.66	\$ 11,560
Hydrants	\$ -	\$ -	\$ -	2.24%	\$ -	25.66	\$ -
Services	\$ 57,598	\$ -	\$ 57,598	2.34%	\$ 1,348	25.66	\$ 1,478
Valves	\$ -	\$ -	\$ -	1.60%	\$ -	25.66	\$ -
Total	\$ 2,310,098	\$ -	\$ 2,310,098		\$ 37,388		\$ 59,277

Notes:

1. Mains as listed are fully depreciated. Actual retirement for Services will be presented with the completed surcharge filing.
2. As per last depreciation study in DW 06-073 utilizing composite rate.
3. Based on Nashua 2012 property rate of \$19.06 and state rate of \$6.60



25 Manchester Street PO Box 1947 Merrimack, NH 03054-1947

603/882-5191, 800/553-5191
Fax 603/913-2362

Attachment D
Page 1 of 2
www.pennichuck.com
customer-service@pennichuck.com

FOR SERVICE AT
1 Water Street, Middleton

ROUTE NUMBER 01 ACCOUNT NUMBER 100123456-12345

METER NUMBER	FROM	TO	DAYS	PREVIOUS READING	PRESENT READING	CONSUMPTION (100 CF)	NEXT READ DATE
12345678	09/07	10/05	28	1234	1236	2	11/09/09

Previous Balance	89.53
Payments since Last Bill	89.53
Adjustments since Last Bill	0.00
Balance Before Current Charges	0.00

New Charges - Actual Read	
PWW Mthly Mtr 5/8"	20.14
PWW Consumption 7 CCF @ 2.90	32.10
WICA Charge	1.04

Current Charges 53.28

New Balance 53.28

Current Charges are due by 10/05/2009.

Online Payment is now available at www.pennichuck.com

WICA - This bill contains a 2% Water Infrastructure and Conservation Adjustment (WICA) charge. For further information please refer to the back of your bill.

PLEASE DETACH HERE
AND RETURN LOWER
PORTION WITH YOUR
PAYMENT.

ACCOUNT NUMBER	DIVISION	ROUTE NUMBER	BILL DATE	DUE DATE	TOTAL DUE
100123456-12345	Pennichuck	01	09/10/09	10/05/09	53.28



25 Manchester Street PO Box 1947 Merrimack, NH 03054-1947

PLEASE DO NOT FOLD OR STAPLE

ACCOUNT NUMBER	DIVISION	BILL DATE	PAY ON OR BEFORE	TOTAL DUE
100123456-12345	Pennichuck	09/10/2009	10/05/09	53.28
				AMOUNT ENCLOSED

For Service at: 1 Water Street

JANE DOE
1 WATER STREET
MIDDLETON, NH 12345

PLEASE CHECK HERE IF YOU ARE
ENROLLING IN DIRECT PAYMENT
AND FILL OUT APPLICATION ON
OTHER SIDE



PLEASE CROSS OUT INCORRECT INFORMATION AND WRITE IN ANY CHANGES TO ADDRESS OR NAME ABOVE

IMPORTANT

APPLICABLE RATES, RULES AND REGULATIONS UNDER WHICH SERVICE IS FURNISHED ARE ON FILE AT THE OFFICE OF PENNICHUCK WATER WORKS. COPIES MAY BE OBTAINED UPON REQUEST.

CUSTOMER OF RECORD WILL BE CHARGED FOR ALL WATER PASSING THROUGH THE METER. IF WE ARE UNABLE TO GAIN ACCESS TO READ THE METER, THE BILL WILL BE ESTIMATED FOR THE BILLING PERIOD.

THE CUSTOMER OF RECORD MUST KEEP THE METER ACCESSIBLE FOR READING AND INSPECTION AT ALL TIMES. ANY METER DAMAGED THROUGH THE NEGLIGENCE OF THE CUSTOMER WILL BE REPAIRED AT THEIR EXPENSE.

PLEASE NOTIFY OUR OFFICE IMMEDIATELY UPON CHANGE OF OWNERSHIP OR MAILING ADDRESS. UNTIL THE OFFICE IS NOTIFIED, THE CUSTOMER OF RECORD IS RESPONSIBLE FOR ALL CHARGES.

IF THERE IS A MEDICAL REASON FOR NON-PAYMENT, A STATEMENT FROM YOUR PHYSICIAN WILL BE NECESSARY.

FOR YOUR CONVENIENCE, A MAIL SLOT IS LOCATED AT THE OFFICE AT 25 MANCHESTER STREET, MERRIMACK, NH.

THE FIRST CONTACT FOR THE RESOLUTION OF ANY CONSUMER INQUIRY OR COMPLAINT SHOULD BE DIRECTED TO PENNICHUCK WATER WORKS.

OFFICE HOURS
MONDAY-FRIDAY 7:30 AM TO 4:00 PM
24 HOUR SERVICE 603 / 882-5191
800 / 553-5191

IMPORTANT NOTICE - YOUR RIGHTS

BY NH PUBLIC UTILITIES COMMISSION ORDER NO. 14.411 YOU ARE ADVISED THAT YOU MAY BRING ANY COMPLAINT, PROBLEM, CONCERN OR COMMENT TO THE ATTENTION OF THE CONSUMER ASSISTANCE DEPARTMENT AT THE PUBLIC UTILITIES COMMISSION BY CALLING THE FOLLOWING TOLL FREE NUMBER 1-800-352-3793, BY MAIL TO 21 S. FRUIT STREET, SUITE 10, CONCORD, NH 03301-2429, OR LOG ONTO THEIR WEBSITE AT WWW.PUC.NH.GOV

**** WICA Charge Explanation:** Your current bill includes a Water Infrastructure and Conservation Adjustment (WICA) charge. This adjustment covers costs of completed infrastructure improvements that have both enhanced the reliability of water service and its delivery to our customers. Further information may be obtained from our website www.pennichuck.com or by contacting our customer service department at 1-800-553-5191.

DIRECT PAYMENT WILL NOT BE EFFECTIVE FOR THIS BILL. PLEASE REMIT PAYMENT AS USUAL.

Authorization Agreement for Direct Payments (ACH Debits)

Company Name: _____ Pennichuck Account #: _____

I (we) hereby authorize Pennichuck Water Works, hereinafter called the Company, to initiate debit entries to my (our): Checking Account Savings Accounts indicated below and financial institute named below, and to debit the same to such account.

Financial Institute Name: _____ Branch: _____

City: _____ State: _____ Zip: _____

Routing #: _____ Account #: _____

This authorization is to remain in full force and effect until at such time I decide to discontinue this payment service and have notified the Company in such a manner as to afford the Company a reasonable opportunity to act on it.

Name(s): _____ Date: _____

Signature: _____ Daytime Phone #: _____

Please call Customer Service with any questions 800-553-5191

NHPUC NO. 6 Water
PENNICHUCK WATER WORKS, INC.

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WATER INFRASTRUCTURE AND CONSERVATION ADJUSTMENT

In addition to the net charges provided for in this Tariff, a Water Infrastructure and Conservation Adjustment (“WICA”) surcharge of *TBD*% will apply to all bills issued on or after April 1, 2014.

I. General Description

Purpose: The WICA is intended to recover the fixed costs (depreciation, property taxes and pre-tax return) of certain Commission-approved non-revenue producing system improvement projects completed and placed in service and to be recorded in the individual accounts, as noted below, between base rate cases. In addition, the WICA provides the Company with the resources to accelerate asset replacement for infrastructure for the purpose of improving or protecting water quality and the reliability of service and to comply with evolving regulatory requirements imposed by the Safe Drinking Water Act.

Eligible Property: The WICA-eligible property will consist of the following:

Services (account 333), and hydrants (account 335) installed as in-kind (i.e., same size) replacements for customers;

Mains and valves (account 331) installed as replacements for existing facilities that have either reached the end of their useful life, are worn out or are in deteriorated condition,

Main cleaning and re-lining projects and relocations that are non-reimbursable (account 331);

Replacement of pressure reducing valves (accounts 309, 331);

II. Computation of the WICA

Calculation: The initial charge, effective April 1, 2014, will be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rate base and will have been placed in service between January 1, 2013 and December 31, 2013. Thereafter, the WICA will be updated on an annual basis to reflect eligible plant additions placed in service during the twelve month period ending three months prior to the effective date of each WICA update. Thus, changes in the WICA rate will occur as follows:

NHPUC NO.6 Water
PENNICHUCK WATER WORKS, INC

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Effective Date
Of WICA Change

Date To Which WICA Eligible
Plant Additions Reflected

April 1, 2XXX

December 31, 2XXX

The fixed costs of eligible infrastructure system improvement projects will consist of depreciation, property taxes and pre-tax return, calculated as follows:

Depreciation: The depreciation expense will be calculated by applying the depreciation rates employed in the Company's last base rate case for the plant accounts to the original cost of WICA-eligible property minus the corresponding retirement unit recorded.

Property Taxes: For the first year that a WICA for any particular project is in effect, the property tax expense will reflect an estimate of the tax expense for such projects based on the tax rate then in effect. If such property taxes will be due for only a portion of the calendar year, then the WICA for the first year shall reflect only the property taxes projected to be paid. For the second and subsequent years that a WICA for those projects is in effect, the WICA shall be determined using the taxes due and owing for such projects based on the tax bill for a full tax year. The WICA shall not be adjusted in subsequent years, regardless of any change in the taxes originally assessed.

Pre-tax return: The pre-tax return will be calculated using the state and federal income tax rates. The cost of equity and debt will be the rates approved in the Company's last base rate case, DW 10-091, or a subsequent docket.

WICA Surcharge Amount: The charge will be expressed as a percentage carried to four decimal places and will be applied to the effective portion of the total amount billed to each customer under the Company's otherwise applicable rates and charges.

Formula: The formula for calculation of the WICA surcharge is as follows:

$$\text{WICA} = \frac{(\text{ISI} \times \text{PTRR}) + \text{Dep} + \text{PT}}{\text{BRWR}}$$

Where:

ISI= the original cost to the Company of eligible infrastructure system improvement projects.

NHPUC NO. 6 Water
PENNICHUCK WATER WORKS, INC

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PTRR= the pre-tax return rate applicable to eligible infrastructure system improvement projects.

Dep= annual depreciation expense related to eligible infrastructure system improvement projects.

PT= annual property taxes related to eligible infrastructure system improvement projects.

BRWR= base retail water revenues as approved by the Commission in the Company's last rate proceeding, DW 10-091, or a subsequent docket.

Annual updates: Supporting data for each annual update will be filed with the Commission and the Office of Consumer Advocate sixty (60) days prior to the effective date of the update.

III. Safeguards

Cap: The amount of the WICA applied between general rate case filings shall not exceed seven and one-half percent (7.5%) of the Company's annual retail water revenues as approved in its most recent rate filing, and shall not exceed two percent (2%) of such revenues for any twelve-month period.

Audits: The WICA will be subject to audit prior to the determination by the Commission.

New Base Rates: The WICA charge will be reset at zero as of the effective date of new base rates that provide for prospective recovery of the annual costs that had theretofore been recovered under the WICA. Thereafter, only the fixed costs of new eligible plant additions, that have not previously been reflected in the Company's rate base, would be reflected in the annual updates of the WICA.

Customer Notice: Customers shall be notified of changes in the WICA by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing. Before sending, the Company will review the notice with the Commission's Consumer Affairs division.