

Exhibit D

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August 9, 1996

Ms. Bonnie J. Hartley
Vice President/ Controller
PENNICHUCK WATER WORKS, INC.
Four Water Street
Post Office Box 448
Nashua, NH 03061

Dear Ms. Hartley:

In accordance with your authorization, we have prepared a depreciation study related to the utility plant in service of Pennichuck Water Works, Inc. as of December 31, 1995. Our findings and recommendations, together with supporting schedules and exhibits, are set forth in the accompanying report.

Summary schedules have been prepared to illustrate the impact of instituting the recommended annual depreciation rates as a basis for the Company's annual depreciation expense as compared to the rates presently utilized. The application of the present rates to the depreciable plant in service as of December 31, 1995 results in an annual depreciation expense of \$1,117,681. In comparison, the application of the proposed depreciation rates to the depreciable plant in service at December 31, ~~1994~~ 1995 results in an annual depreciation expense of \$1,407,909, a depreciation expense increase of \$290,228. The composite annual depreciation rate under present rates is 2.15 percent, while the proposed composite depreciation rate is 2.70 percent.

Section 2 of our report contains the summary schedules showing the results of our service life and salvage studies and summaries of presently utilized depreciation rates. The subsequent sections of the report present a detailed outline of the methodology and procedures used in the study together with supporting calculations and analyses used in the development of the results. A detailed table of contents follows this letter.

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Respectfully submitted,



EARL M. ROBINSON



TABLE OF CONTENTS

	<u>Page No.</u>
<u>SECTION 1</u>	
Executive Summary	1-1
<u>SECTION 2</u>	
Summary of Original Cost of Utility Plant in Service as of December 31, 1995 and Related Annual Depreciation Expense Under Present and Proposed Depreciation Rates (Table 1)	2-1
Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilizing Book Depreciation Reserves and Average Remaining Lives as of December 31, 1995 (Table 2)	2-4
Summary of Utility Plant in Service Per Books, Per Depreciation Study and Related Transfers as of December 31, 1995 (Table 3)	2-7
Summary of Depreciation Reserve Per Books, Per Depreciation Study and Related Transfers, and Adjustments as of December 31, 1995 (Table 4)	2-11
<u>SECTION 3</u>	
General	3-1
Depreciation Study Overview	3-2
Annual Depreciation Accrual	3-3
Group Depreciation Procedures	3-4
Calculation of ASL, ARL, and Accrued Depreciation Factors Based Upon Iowa 10-R3 Using the Equal Life Group (ELG) Procedure (Table 5)	3-8
Remaining Life Technique	3-10

TABLE OF CONTENTS

	<u>Page No.</u>
<u>SECTION 3 (continued)</u>	
Salvage	3-11
Service Lives	3-12
Survivor Curves	3-13
Study Procedures	3-13
<u>SECTION 4</u>	
Study Results	4-1
<u>SECTION 5</u>	
Service Life Analysis	5-1
<u>SECTION 6</u>	
Composite Remaining Life Calculations	6-1

PENNICHUCK WATER WORKS, INC.

Executive Summary

Table 1 on pages 2-1 and 2-3 is a summary which illustrates the effect of instituting the revised proposed depreciation rates for each of the Company's current plant in service property groups. The schedule includes a comparison of the annual depreciation rates and annual depreciation expense under present versus proposed rates and provides the change in annual depreciation expense when applied to each of Pennichuck Water Works, Inc.'s (the Company) plant in service account investment as of as of December 31, 1995. The proposed depreciation rates set forth in this study are based upon the Straight Line/Broad Group/Average Remaining Life (ARL) method, procedure, and technique.

The Company's operating system located within the State of New Hampshire provides service to approximately 21,000 customers in Nashua and limited segments of various surrounding communities in Southern New Hampshire. The Company provides water service to residential, commercial, industrial customers, as well as to other municipalities in the area.

Table 2 on pages 2-4 to 2-5 provides a summary of the detailed life estimates and service life parameters (Iowa Curves) utilized in preparing the proposed Average Remaining Life depreciation rates for each property group. The schedule provides a summary of the detailed data and a narrative of the study results. The rates were developed by studying investment and retirement data together with the interpreting future expectancies anticipated to have a bearing on the overall service life of the

Company's property. Accordingly, the proposed average remaining life based depreciation rates will provide the Company with a better opportunity to recover the cost of its plant in service over the property's current estimate of remaining useful life than afforded under present rates.

The development of annual depreciation rates utilizing this approach is set forth on Table 2 in Section 2 of this report along with supporting calculations of remaining lives in Section 6, and the development of proposed service life parameters in Section 5. Section 4 contains a narrative of related statistics and factors considered in developing the estimated lives and salvage factors. Specifically, each property group's annual depreciation rate is based upon recovering the unrecovered original cost investments adjusted for net salvage over the average remaining productive life which the assets will provide service to the Company's customers.

Each property group's proposed annual depreciation rate is developed on Table 2 by adjusting the original cost set forth in column (c) by the estimated future net salvage percent in column (d). The net salvage percent is the amount relative to the original cost which will be incurred by the Company in the process of retiring the plant from service. This amount is either positive or negative depending upon whether proceeds are anticipated to be received or cost related to payments for services or labor expense will be incurred. Such costs may include items such as manpower manhours spent to disconnect and/or remove mains, service, or hydrants. Column (f) of Table 2 reflects the salvage adjusted surviving original cost of utility plant in service as of December 31, 1995 which is equal to column (c) minus column (e). Column (g) of Table 2 is the

Company's current actual accrued depreciation reserve relative to the surviving plant in service. Column (h) is the unrecovered surviving original cost adjusted for net salvage (column (f) minus column (g)). Column (i) of Table 2 is the average service life and lowa curve parameters estimated for each of the depreciable property groups. (The asterisked service life parameters are interim retirement rates which represent levels of retirements from location-type properties which are estimated to occur prior to a final or complete retirement of the facilities.) The estimated service life parameters are predicated upon the detailed analysis completed in Section 5 of the report along with current and prospective factors considered and outlined in the study narrative (contained in Section 4 of the report). Column (j) contains the average remaining life of the current surviving plant in service summarized in Column (c) of the table. The remaining life for each property category, which is developed per the schedules contained in Section 6 of the report is based upon the current estimates of average useful life and the property group's vintage investment. This life represents the average remaining period of years which the current property will serve the Company's customers. Column (k) is the implicit annual depreciation expense which must be booked each year to recover the property's unrecovered service value over the remaining useful life. The amount is calculated by dividing Column (h) by Column (j). Each account's resulting recommended annual depreciation rate contained in column (l) is developed by dividing Column (k) by column (c) and is the annual depreciation rate which should be applied to the aggregate gross original cost in service for each property group to develop each year's annual book depreciation expense.

Each of the proposed depreciation rates give consideration to the current plant in service, estimated future net salvage, the current level of accrued depreciation reserve, and the remaining useful life. Accordingly, the proposed depreciation rates will serve to recover the undepreciated original cost adjusted for net salvage over the applicable remaining life -- no more and no less. Furthermore, the comprehensive analysis of service life and salvage parameters should be completed at regular intervals of every four to five years and when utilized together with the company's plant in service will serve to self correct the level of the Company's accrued depreciation reserve level consistent with the currently anticipated life and salvage parameters.

Tables 3 and 4 provide a reconciliation of the original cost and book depreciation reserve, respectively, to the balances utilized per the depreciation study. The inter-account transfers contained on Tables 3 and 4 reflect the reclassification of the original cost and related depreciation reserves of several items between Account 304 and Account 305, as well as the transfer of items between the Office Equipment and Computer Equipment categories.

The utilization of the recommended depreciation rates, based upon the Straight Line/Broad Group/Average Remaining Life method, procedure, and technique results in the setting of depreciation rates which will continuously true up the Company's level of capital recovery over the life of each asset group. The utilization of this standard depreciation approach utilizes the results of detailed depreciation analysis which reviews historical, current, and prospective factors which will impact the useful service life and net salvage characteristics of each of the Company's depreciation property groups:

Application of this procedure, which is based upon the current best estimates of service life and future net salvage together with the Company's plant in service and accrued depreciation, produces annual depreciation rates that will result in the Company recovering 100 percent of its capital investment costs -- no more, no less. Any alternative application process which does not incorporate all known or anticipated factors can not readily provide appropriate capital recovery which is consistent with the property being consumed in providing customer service.

It is recommended that the Company apply depreciation rates and maintain its book depreciation reserve on an account-level basis. The maintenance of the book reserve on an account-level basis requires both the development of annual depreciation expense and distribution of other reserve account charges to an individual level. Maintaining the Company's depreciation records in this detail will aid in completing the various rate studies and, most importantly, clearly identifies the Company's level of capital recovery relative to each category of plant investment.

It is further recommended that detailed depreciation service life studies continue to be completed on a regularly scheduled basis. The completion of studies at regular intervals will assure that the Company's capital recovery will reflect the Company's most current experience and prospective plans.

The depreciation rate for each individual account changed as a result of reflecting estimates obtained through the in-depth analysis of the Company's most recent data together with an interpretation of ongoing and anticipated future events. Some of the revisions were not material and typically reflect fine tuning of previously utilized

depreciation rates while others were more substantial in nature. Several of the accounts did reflect marked changes (as outlined in Section 4 of this report) from the previously utilized depreciation rates. The most notable depreciation changes are in Account 304.3 - Structures and Improvements - Purification, Account 311.2 - Pumping Equipment - Electric, Account 320.0 - Purification System Equipment, Account 331.90 - Transmission and Distribution Mains - Paving, Account 334 - Meters, and Account 341 - Transportation Equipment.

The depreciation rate for Account 304.3 - Structures and Improvements - Purification increased from 1.97 percent to 2.68 percent reflecting the current property investment and present estimate of useful life of the Company's treatment facilities. The resulting proposed annual depreciation rate is generally consistent with those utilized for the Company's other similar facilities and the water industry in general.

The depreciation rate for Account 311.20 - Pumping Equipment - Electric increased from 3.87 percent to 7.28 percent. The proposed depreciation rate for this account is being driven by various factors including the current modest level of accumulated depreciation reserve, the recent achieved and estimated useful service life, and estimates of future net salvage. Past replacements of facilities were related to ongoing changes of control systems and conversion to variable speed pumps. It is anticipated that ongoing changes will continue in future years which will include upgrades of the treatment plant pumping facilities and various system control changes as a result of finalizing the implementation of the Company's SCADA system.

The depreciation rate for Account 334 - Meters increased from 4.08 percent to

4.87 percent to recognize the life being achieved by the Company's meters. The Company has also currently has instituted a pilot project to review the appropriateness of installing and utilizing Automatic Meter-Reading (AMR) devices.

The depreciation rates for Account 331.90 - Transmission Mains - Paving increased from 1.73 percent to 8.38 percent, The proposed depreciation rate for this category, as well as for Services - Paving and Hydrants - Paving is based upon the utilization of a fifteen (15) year average service life which is more consistent with the physical useful life of such property.

The depreciation rate for Account 341 - Transportation Equipment declined from 10.58 percent to 5.41 percent to give recognition to the current level of accumulated depreciation, the recent achieved useful service life of the property, plus the Company's current policy regarding the replacement of vehicles.

Various of the remaining accounts/sub-accounts experienced increases and/or declines in recommended depreciation rates to a lesser degree, as noted per Table 1 on pages 2-1 and 2-2 of this report. The change in annual depreciation rates results in an aggregate net increase in annual depreciation expense of \$290,228 in comparison to the depreciation expense produced by the current rates applied to the Company's plant in service investment as of December 31, 1995. This revision in annual depreciation rates and expense is the result of both changes in the estimated service lives and salvage factors, and reflects the impact of the Company's property changes since the most recent study.

The following summary compares the present and proposed composite

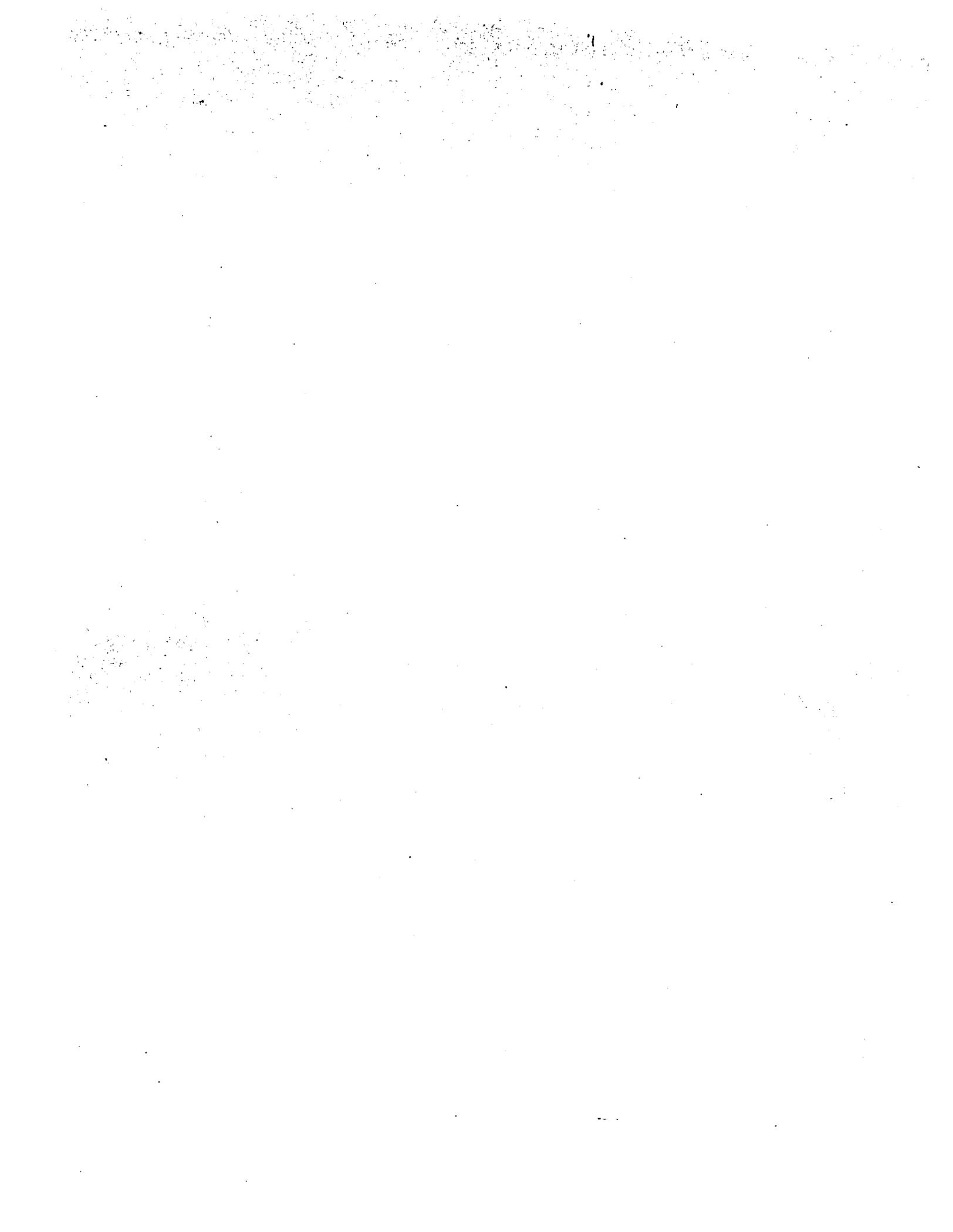
depreciation rates for illustrative purposes only. The Composite Depreciation Rate should not be applied to the total Company investment inasmuch as the non-proportional change in plant investment as a result of property additions or retirements would render the composite rate inappropriate. As previously indicated, Table 1 lists the recommended annual depreciation rates for each property account.

Present Depreciation Rates

Depreciable Plant In Service at December 31, 1995	\$52,079,031
Annual Depreciation Expense	1,117,681
Composite Annual Depreciation Rate	2.15%

Proposed Depreciation Rates

Depreciable Plant In Service at December 31, 1995	\$52,079,031
Annual Depreciation Expense	1,407,909
Composite Annual Depreciation Rate	2.70%



PENNICHUCK WATER WORKS INC.

Summary of Original Cost of Utility Plant in Service as of December 31, 1995
and Related Annual Depreciation Expense Under Present and Proposed Rates

Acct No	Description	Original Cost 12-31-95	Under Present Rates		Under Proposed Rates		Net Change Depreciation Expense
			Rate %	Annual Accrual Amount	Rate %	Annual Accrual Amount	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Source of Supply & Pumping Plant							
Structures & Improvements							
304.1	Struct. & Improv. - Source of Supply	1,552,755	2.93%	45,496	2.31%	35,869	(9,627)
304.2	Struct. & Improv. - Power & Pumping	1,400,070	1.70%	23,801	2.58%	36,122	12,321
304.3	Struct. & Improv. - Purification	6,207,285	1.97%	122,284	2.68%	166,355	44,071
304.4	Struct. & Improv. - General & Misc.	602,785	2.57%	15,492	2.71%	16,335	843
	Total Account 304	9,762,895	2.12%	207,073	2.61%	254,681	47,608
305	Collecting & Impounding Reservoirs	1,482,898	1.92%	28,472	1.40%	20,761	(7,711)
Pumping Equipment							
311.2	Pumping Equipment - Electric	613,251	3.87%	23,733	7.28%	44,645	20,912
311.3	Pumping Equipment - Diesel	22,586	0.00%	0	5.89%	1,330	1,330
311.4	Pumping Equipment - Hydraulic	48,159	1.43%	689	3.33%	1,604	915
311.5	Pumping Equipment - Natural Gas	338,700	2.59%	8,772	3.44%	11,651	2,879
311.6	Pumping Equipment - Other Power	58,063	1.87%	1,086	2.86%	1,661	575
	Total Account 311	1,080,759	3.17%	34,280	5.63%	60,891	26,611
	TOTAL Source of Supply & Pumping	12,326,552	2.19%	269,825	2.73%	336,333	66,508
Water Treatment Plant							
Water Treatment Equipment							
320.0	Purification System Equipment	446,435	2.38%	10,625	7.18%	32,054	21,429
320.1	Other Production Equipment	215,867	1.31%	2,828	6.89%	14,873	12,045
320.2	Water Treatment Equipment	2,611,411	2.27%	59,279	2.68%	69,986	10,707
	Total Account 320	3,273,713	2.22%	72,732	3.57%	116,913	44,181
	TOTAL Water Treatment Plant	3,273,713	2.22%	72,732	3.57%	116,913	44,181
Transmission & Distribution							
330	Distribution Reservoirs & Standpipes	2,816,707	2.42%	68,164	2.39%	67,319	(845)
Transmission Mains							
331.01	Trans. Mains -CI & DI, 4" & Under	13,121	1.11%	146	3.12%	409	263
331.02	Trans. Mains -CI & DI, 6" - 8"	261,294	1.11%	2,900	1.73%	4,520	1,620
331.03	Trans. Mains -CI & DI, 10" - 16"	1,262,402	1.11%	14,013	1.42%	17,926	3,913
331.04	Trans. Mains -CI & DI, 18" & Over	3,804,823	1.11%	42,234	1.22%	46,419	4,185
331.08	Trans. Mains - ASB Cement, 10" - 16"	27,437	1.11%	305	2.05%	562	257
331.09	Trans. Mains - ASB Cement, 18" & Over	175,755	1.11%	1,951	2.06%	3,621	1,670
331.13	Trans. Mains -Steel, 10" - 16"	156,580	1.11%	1,738	1.44%	2,255	517
331.16	Trans. Mains - Plastic, 4" & Under	1,437	1.11%	16	2.02%	29	13
331.17	Trans. Mains - Plastic, 6" - 8"	5,316	1.11%	59	1.73%	92	33
331.18	Trans. Mains - Plastic, 10" - 16"	49,133	1.11%	545	1.53%	752	207
	Total Account 331.01	5,757,298	1.11%	63,907	1.33%	76,585	12,678
Distribution Mains							
331.21	Distr. Mains - CI & DI, 4" & Under	465,267	1.25%	5,816	2.74%	12,748	6,932
331.22	Distr. Mains - CI & DI, 6" - 8"	6,905,381	1.25%	86,317	1.37%	94,604	8,287
331.23	Distr. Mains - CI & DI, 10" - 16"	3,749,556	1.25%	46,869	1.36%	50,994	4,125
331.24	Distr. Mains - CI & DI, 18" & Over	598,748	1.25%	7,484	1.24%	7,424	(60)
331.31	Distr. Mains - ASB Cement, 4" & Under	20,522	1.25%	257	3.05%	626	369
331.32	Distr. Mains - ASB Cement, 6" - 8"	579,103	1.25%	7,239	2.64%	15,288	8,049
331.33	Distr. Mains - ASB Cement, 10" - 16"	730,351	1.25%	9,129	2.14%	15,630	6,501
331.41	Distr. Mains - Steel, 4" & Under	197,158	1.25%	2,464	2.90%	5,718	3,254
331.51	Distr. Mains - Plastic, 4" & Under	303,064	1.25%	3,788	2.43%	7,364	3,576
331.52	Distr. Mains - Plastic, 6" - 8"	14,394	1.25%	180	2.02%	291	111

PENNICHUCK WATER WORKS INC.

Summary of Original Cost of Utility Plant in Service as of December 31, 1995
and Related Annual Depreciation Expense Under Present and Proposed Rates

Acct No. (a)	Description (b)	Original Cost 12-31-95 (c)	Under Present Rates		Under Proposed Rates		Net Change Depreciation Expense (h)
			Rate % (d)	Annual Accrual Amount (e)	Rate % (f)	Annual Accrual Amount (g)	
331.56	Distr. Mains - Valves, 4" & Under	131,855	1.25%	1,648	2.69%	3,547	1,899
331.57	Distr. Mains - Valves, 6" - 8"	84,225	1.25%	1,053	2.01%	1,693	640
331.58	Distr. Mains - Valves, 10" - 16"	29,203	1.25%	365	1.73%	505	140
331.59	Distr. Mains - Valves, 18" & Over	30,879	1.25%	386	1.51%	466	80
331.60	Distr. Mains - Pressure Reducing Valve	15,810	1.25%	198	1.62%	256	58
331.70	Distr. Mains - Special Construction	15,202	1.25%	190	1.75%	266	76
331.75	Distr. Mains - River & Rail Crossing	26,885	1.25%	336	1.71%	460	124
331.76	Distr. Mains - Cleaning & Lining	311,982	1.25%	3,900	1.67%	5,210	1,310
	Total Account 331.02	14,209,585	1.25%	177,619	1.57%	223,090	45,471
331.30	Trans. & Distr. Mains - Bon Terrain	1,972,522	1.09%	21,500	1.93%	38,070	16,570
331.90	Trans. & Distr. Mains - Paving	1,706,097	1.73%	29,515	8.38%	142,971	113,456
	Total Account 331	23,645,502	1.24%	292,541	2.03%	480,716	188,175
	Services						
333.10	Services - Copper	3,303,896	2.61%	86,232	2.70%	89,205	2,973
333.20	Services - Cl & DI	118,509	2.61%	3,093	1.80%	2,133	(960)
333.30	Services - Plastic	199,129	2.61%	5,197	3.85%	7,666	2,469
333.40	Services - Steel	28,274	2.61%	738	3.37%	953	215
	Sub-Total Services	3,649,808	2.61%	95,260	2.74%	99,957	4,697
333.50	Services - Bon Terrain	254,938	2.63%	6,705	2.70%	6,883	178
333.90	Services - Paving	86,130	2.35%	2,024	7.17%	6,176	4,152
	Total Account 333	3,990,876	2.61%	103,989	2.83%	113,016	9,027
334	Meters	2,084,318	4.08%	85,040	4.87%	101,506	16,466
	Fire Hydrants						
335.00	Hydrants	1,950,459	1.69%	32,963	2.13%	41,545	8,582
335.10	Hydrants - Paving	5,573	1.54%	86	2.50%	139	53
	Total Account 335	1,956,032	1.69%	33,049	2.13%	41,684	8,635
339	Other Plant & Misc. Equip.	10,118	2.50%	253	2.50%	253	0
	TOTAL Transmission & Distribution	34,503,553	1.69%	583,036	2.33%	804,494	221,458
	General Plant						
	<u>Office Furniture & Equipment</u>						
340.10	Office Furniture & Equipment	140,647	6.68%	9,395	1.22%	1,716	(7,679)
340.20	Computer Equipment	724,258	13.11%	94,950	13.25%	95,964	1,014
	Total Account 340	864,905	12.06%	104,345	11.29%	97,680	(6,665)
341	Transportation Equipment	666,580	10.58%	70,524	5.41%	36,062	(34,462)
343	Tools, & Shop & Garage Equipment	10,841	4.44%	481	7.35%	797	316
344	Laboratory Equipment	77,759	6.01%	4,673	3.58%	2,784	(1,889)
346	Communication Equipment	67,600	8.32%	5,624	2.33%	1,575	(4,049)
348	Miscellaneous Equipment	287,528	2.24%	6,441	3.92%	11,271	4,830
	TOTAL General Plant	1,975,213	9.72%	192,088	7.60%	150,169	(41,919)
	TOTAL Depreciable Plant	52,079,031	2.15%	1,117,681	2.70%	1,407,909	290,228

PENNICHUCK WATER WORKS INC.

Summary of Original Cost of Utility Plant in Service as of December 31, 1995
and Related Annual Depreciation Expense Under Present and Proposed Rates

Acct. No.	Description	Original Cost 12-31-95	Under Present Rates		Under Proposed Rates		Net Change Depreciation Expense
			Rate %	Annual Accrual Amount	Rate %	Annual Accrual Amount	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
NON - DEPRECIABLE PLANT							
	<u>Intangible Plant</u>						
301	Organization	1,476					
302	Franchise	109,990					
	Total Intangible Plant	111,466					
	<u>Land & Land Rights</u>						
303	Source of Supply & Pumping	262,238					
	TOTAL Non-Depreciable Plant	373,704					
	TOTAL Utility Plant in Service	52,452,735					

PENNICHUCK WATER WORKS, INC.

Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives as of December 31, 1995

Acct. No.	Description	Original Cost 12-31-95	Estimated Future Net Salvage %	Original Cost Less Salvage	Book Depreciation Reserve	Net Original Cost Less Salvage	ASL Survivor Curve	Remaining Life (Year)	Average Annual Accrual	Average Annual Depr. Rate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)	(k)	(l)
DEPRECIABLE PLANT										
Source of Supply & Pumping Plant										
Structures & Improvements										
304.1	Struct. & Improv. - Source of Supply	1,552,755	-10	(155,276)	310,037	1,397,994	* 90-R1	38.9	35,938	2.31%
304.2	Struct. & Improv. - Power & Pumping	1,400,070	-10	(140,007)	300,778	1,239,299	* 80-L1	34.3	36,131	2.58%
304.3	Struct. & Improv. - Purification	6,207,285	-10	(620,729)	1,846,332	4,981,682	* 70-L1	30.0	166,056	2.68%
304.4	Struct. & Improv. - General & Misc.	602,785	-10	(60,279)	172,249	490,815	* 60-L0	30.1	16,306	2.71%
	Total Account 304	9,762,895		(976,291)	2,629,396	8,109,790			254,432	2.61%
305	Collecting & Impounding Reservoirs	1,482,898	-20	(296,580)	247,999	1,531,479	* 100-L0	73.8	20,752	1.40%
Pumping Equipment										
311.2	Pumping Equipment - Electric	613,251	-10	(61,325)	174,683	499,893	18-R3	11.2	44,633	7.28%
311.3	Pumping Equipment - Diesel	22,586	-10	(2,259)	24,845	2,260	40-R3	1.7	1,329	5.89%
311.4	Pumping Equipment - Hydraulic	48,159	-10	(4,816)	33,428	19,547	35-R4	12.2	1,602	3.33%
311.5	Pumping Equipment - Natural Gas	338,700	-10	(33,870)	63,556	309,014	35-R3	26.5	11,661	3.44%
311.6	Pumping Equipment - Other Power	58,063	0	0	3,173	54,890	35-R3	33.1	1,658	2.86%
	Total Account 311	1,080,759		(102,270)	297,425	885,604			60,884	5.63%
	TOTAL Source of Supply & Pumping	12,326,552		(1,375,141)	3,174,820	10,526,873			336,067	2.73%
Water Treatment Plant										
Water Treatment Equipment										
320.0	Purification System Equipment	446,435	0	0	19,820	426,615	15-R3	13.3	32,076	7.18%
320.1	Other Production Equipment	215,867	0	0	15,066	200,801	15-R3	13.5	14,874	6.89%
320.2	Water Treatment Equipment	2,611,411	-15	(391,712)	1,056,784	1,946,339	* 55-L1	27.8	70,012	2.68%
	Total Account 320	3,273,713		(391,712)	1,091,670	2,573,755			116,963	3.57%
	TOTAL Water Treatment Plant	3,273,713		(391,712)	1,091,670	2,573,755			116,963	3.57%
330	Transmission & Distribution Reservoirs & Standpipes	2,816,707	-10	(281,671)	627,505	2,470,873	* 100-R1	36.7	67,326	2.39%
Transmission Mains										
331.01	Trans. Mains - CI & DI, 4" & Under	13,121	-20	(2,624)	2,859	12,886	40-R4	31.5	409	3.12%
331.02	Trans. Mains - CI & DI, 6" - 8"	261,294	-20	(52,259)	17,399	296,154	70-R3	65.5	4,521	1.73%
331.03	Trans. Mains - CI & DI, 10" - 16"	1,262,402	-20	(252,480)	70,769	1,444,113	85-R3	80.4	17,962	1.42%
331.04	Trans. Mains - CI & DI, 18" & Over	3,804,823	-20	(760,965)	436,054	4,129,734	100-R3	88.9	46,454	1.22%
331.08	Trans. Mains - ASB Cement, 10" - 16"	27,437	-20	(5,487)	4,460	28,464	60-R4	50.5	564	2.05%
331.09	Trans. Mains - ASB Cement, 18" & Over	175,755	-20	(35,151)	31,123	179,783	60-R4	49.7	3,617	2.06%
331.13	Trans. Mains - Steel, 10" - 16"	156,580	-20	(31,316)	17,605	170,291	85-R3	75.7	2,250	1.44%
331.16	Trans. Mains - Plastic, 4" & Under	1,437	-20	(287)	84	1,040	60-R3	50.0	20	2.02%

PENNICHUCK WATER WORKS, INC.

Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives as of December 31, 1995

Acct. No.	Description	Original Cost 12-31-95	Estimated Future Net Salvage %	Original Cost Less Salvage	Book Depreciation Reserve	Net Original Cost Less Salvage	ASL Survivor Curve	Remaining Life (Year)	Average Annual Accrual	Average Annual Depr. Rate
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(i)	(j)	(k)	(l)
331.17	Trans. Mains - Plastic, 6" - 8"	5,316	-20	(1,063)	6,379	269	70-R3	66.6	92	1.73%
331.18	Trans. Mains - Plastic, 10" - 16"	49,133	-20	(9,827)	58,960	5,866	80-R3	70.7	751	1.53%
	Total Account 331.01	5,757,298		(1,151,459)	6,908,757	586,488		82.5	76,648	1.33%
Distribution Mains										
331.21	Distr. Mains - CI & DI, 4" & Under	465,267	-20	(93,053)	558,320	116,060	45-R4	34.7	12,745	2.74%
331.22	Distr. Mains - CI & DI, 6" - 8"	6,905,381	-20	(1,381,076)	8,286,457	1,636,251	90-R3	70.5	94,329	1.37%
331.23	Distr. Mains - CI & DI, 10" - 16"	3,749,556	-20	(749,911)	4,499,467	847,449	90-R3	71.4	51,149	1.36%
331.24	Distr. Mains - CI & DI, 18" & Over	598,748	-20	(119,750)	718,498	183,421	100-R3	71.9	7,442	1.24%
331.31	Distr. Mains - ASB Cement, 4" & Under	20,522	-20	(4,104)	24,626	3,631	40-R4	33.5	627	3.05%
331.32	Distr. Mains - ASB Cement, 6" - 8"	579,103	-20	(115,821)	694,924	329,437	50-R4	23.9	15,292	2.64%
331.33	Distr. Mains - ASB Cement, 10" - 16"	730,351	-20	(146,070)	876,421	345,459	60-R4	34.0	15,617	2.14%
331.41	Distr. Mains - Steel, 4" & Under	197,158	-20	(39,432)	236,590	111,822	45-R4	21.8	5,723	2.90%
331.51	Distr. Mains - Plastic, 4" & Under	303,064	-20	(60,613)	363,677	40,511	50-R3	43.9	7,361	2.43%
331.52	Distr. Mains - Plastic, 6" - 8"	14,394	-20	(2,879)	17,273	1,664	60-R3	53.6	291	2.02%
331.56	Distr. Mains - Valves, 4" & Under	131,855	-20	(26,371)	158,226	9,493	45-R4	42.0	3,541	2.69%
331.57	Distr. Mains - Valves, 6" - 8"	84,225	-20	(16,845)	101,070	4,983	60-R3	56.7	1,695	2.01%
331.58	Distr. Mains - Valves, 10" - 16"	29,203	-20	(5,841)	35,044	3,282	70-R3	62.8	506	1.73%
331.59	Distr. Mains - Valves, 18" & Over	30,879	-20	(6,176)	37,055	1,694	80-R3	76.0	465	1.51%
331.60	Distr. Mains - Pressure Reducing Valve	15,810	-20	(3,162)	18,972	2,389	75-R3	64.6	257	1.62%
331.70	Distr. Mains - Special Construction	15,202	-20	(3,040)	18,242	8,443	75-R3	36.8	266	1.75%
331.75	Distr. Mains - River & Rail Crossing	26,885	-20	(5,377)	32,262	12,739	75-R3	42.4	460	1.71%
331.76	Distr. Mains - Cleaning & Lining	311,982	-20	(62,396)	374,378	109,036	75-R3	51.0	5,203	1.67%
	Total Account 331.02	14,209,585		(2,841,917)	17,051,502	3,767,764		59.6	222,970	1.57%
331.30	Trans. & Distr. Mains - Bon Terrain	1,972,522	-20	(394,504)	2,367,026	102,120		59.6	38,017	1.93%
331.90	Trans. & Distr. Mains - Paving	1,706,097	0	0	1,706,097	534,405	15-R3	8.2	142,889	8.38%
	Total Account 331	23,645,502		(4,387,880)	28,033,382	4,990,777			480,524	2.03%
Services										
333.10	Services- Copper	3,303,896	-35	(1,156,364)	4,460,260	1,056,909	50-R4	38.2	89,093	2.70%
333.20	Services- CI & DI	118,509	-35	(41,478)	159,987	35,488	75-R3	58.4	2,132	1.80%
333.30	Services- Plastic	199,129	-35	(69,695)	268,824	68,885	35-R3	26.1	7,660	3.85%
333.40	Services- Steel	28,274	-35	(9,896)	38,170	19,127	40-L0	20.0	952	3.37%
	Sub-Total Services	3,649,808		(1,277,433)	4,927,241	1,180,409		37.5	99,837	2.74%
333.50	Services- Bon Terrain	254,938	-35	(89,228)	344,166	27,150		37.5	8,447	3.31%
333.90	Services - Paving	86,130	0	0	86,130	3,946	15-R3	13.3	6,179	7.17%
	Total Account 333	3,990,876		(1,366,661)	5,357,537	1,211,505			114,464	2.87%
334	Meters	2,084,318	5	104,210	1,980,102	681,578	20-R3	12.8	101,447	4.07%

PENNICHUCK WATER WORKS, INC.

Summary of Original Cost of Utility Plant in Service and Calculation of Annual Depreciation Rates and Depreciation Expense Based Upon Utilization of Book Depreciation Reserve and Average Remaining Lives as of December 31, 1995

Acct. No.	Description	Original Cost 12-31-95 (c)	Estimated Future Net Salvage Amount (d)	Original Cost Less Salvage (f)	Book Depreciation Reserve (g)	Net Original Cost Less Salvage (h)	ASL Survivor Curve (i)	Remaining Life (Year) (j)	Average Annual Accrual (k)	Average Annual Dep. Rate (l)
335.00	Fire Hydrants	1,950,459	(195,046)	2,145,505	373,587	1,771,918	55-R3	42.6	41,594	2.13%
335.10	Hydrants - Paving	5,573	(557)	6,130	150	5,980	15-R3	13.4	446	8.01%
	Total Account 335	1,956,032	(195,603)	2,151,635	373,737	1,777,898			42,041	2.15%
339	Other Plant & Misc. Equip.	10,118	0	10,118	395	9,723	40-R3	38.5	253	2.50%
	TOTAL Transmission & Distribution	34,503,553	(6,127,599)	40,631,152	7,885,498	32,745,654			806,054	2.34%
	General Plant									
340.10	Office Furniture & Equipment	140,647	3	136,428	125,310	11,118	13-L3	6.5	1,710	1.22%
340.20	Computer Equipment	724,258	0	724,258	225,057	499,201	7-R3	5.2	96,000	13.25%
	Total Account 340	864,905	4,219	860,686	350,367	510,319			97,711	11.30%
341	Transportation Equipment	666,580	15	566,593	422,212	144,381	8-R3	4.0	36,095	5.41%
343	Tools, & Shop & Garage Equipment	10,841	0	10,841	4,543	6,298	15-R4	7.9	797	7.35%
344	Laboratory Equipment	77,759	0	77,759	44,667	33,092	20-R3	11.9	2,781	3.58%
346	Communication Equipment	67,600	0	67,600	45,549	22,051	20-R2	14.0	1,575	2.33%
348	Miscellaneous Equipment	287,528	0	287,528	73,578	213,950	25-R2	19.0	11,261	3.92%
	TOTAL General Plant	1,975,213	104,206	1,871,007	940,916	930,091			150,220	7.61%
	TOTAL Depreciable Plant	52,079,031	(7,790,246)	59,869,277	13,092,904	46,776,373			1,409,304	2.71%
	NON - DEPRECIABLE PLANT									
	Intangible Plant									
301	Organization	1,476								
302	Franchise	109,990								
	Total Intangible Plant	111,466								
	Land & Land Rights									
303	Source of Supply & Pumping	262,238								
	TOTAL Non-Depreciable Plant	373,704								
	TOTAL Utility Plant in Service	52,452,735								

* Interim retirement rate. Lifespan method utilized. Service lives vary.

PENNICHUCK WATER WORKS INC.

Summary of Utility Plant in Service Per Books,
Per Depreciation Study and Related Transfers as of December 31, 1995

Acct. No. (a)	Description (b)	Original Cost Per Books 12/31/95 (c)	Transfers (d)	O.C. Per Deprec. Study 12/31/95 (e)
DEPRECIABLE PLANT				
<u>Source of Supply & Pumping Plant</u>				
<u>Structures & Improvements</u>				
304.1	Struct. & Improv. - Source of Supply	2,194,638	(641,883)	1,552,755
304.2	Struct. & Improv. - Power & Pumping	1,400,070		1,400,070
304.3	Struct. & Improv. - Purification	6,207,285		6,207,285
304.4	Struct. & Improv. - General & Misc.	602,785		602,785
	Total Account 304	10,404,778	(641,883)	9,762,895
305	Collecting & Impounding Reservoirs	841,015	641,883	1,482,898
<u>Pumping Equipment</u>				
311.2	Pumping Equipment - Electric	613,251		613,251
311.3	Pumping Equipment - Diesel	22,586		22,586
311.4	Pumping Equipment - Hydraulic	48,159		48,159
311.5	Pumping Equipment - Natural Gas	338,700		338,700
311.6	Pumping Equipment - Other Power	58,063		58,063
	Total Account 311	1,080,759		1,080,759
	TOTAL Source of Supply & Pumping	12,326,552	0	12,326,552
<u>Water Treatment Plant</u>				
<u>Water Treatment Equipment</u>				
320.0	Purification System Equipment	446,435		446,435
320.1	Other Production Equipment	215,867		215,867
320.2	Water Treatment Equipment	2,611,411		2,611,411
	Total Account 320	3,273,713	0	3,273,713
	TOTAL Water Treatment Plant	3,273,713	0	3,273,713
<u>Transmission & Distribution</u>				
330	Distribution Reservoirs & Standpipes	2,816,707		2,816,707
<u>Transmission Mains</u>				
331.01	Trans. Mains -CI & DI, 4" & Under	13,121		13,121
331.02	Trans. Mains -CI & DI, 6" - 8"	261,294		261,294
331.03	Trans. Mains -CI & DI, 10" - 16"	1,262,402		1,262,402

PENNICHUCK WATER WORKS INC.

Summary of Utility Plant in Service Per Books,
Per Depreciation Study and Related Transfers as of December 31, 1995

Acct. No.	Description	Original Cost Per Books 12/31/95	Transfers	O.C. Per Deprec. Study 12/31/95
(a)	(b)	(c)	(d)	(e)
331.04	Trans. Mains - CI & DI, 18" & Over	3,804,823		3,804,823
331.08	Trans. Mains - ASB Cement, 10" - 16"	27,437		27,437
331.09	Trans. Mains - ASB Cement, 18" & Over	175,755		175,755
331.13	Trans. Mains - Steel, 10" - 16"	156,580		156,580
331.16	Trans. Mains - Plastic, 4" & Under	1,437		1,437
331.17	Trans. Mains - Plastic, 6" - 8"	5,316		5,316
331.18	Trans. Mains - Plastic, 10" - 16"	49,133		49,133
	Total Account 331.01	5,757,298	0	5,757,298
Distribution Mains				
331.21	Distr. Mains - CI & DI, 4" & Under	465,267		465,267
331.22	Distr. Mains - CI & DI, 6" - 8"	6,905,381		6,905,381
331.23	Distr. Mains - CI & DI, 10" - 16"	3,749,556		3,749,556
331.24	Distr. Mains - CI & DI, 18" & Over	598,748		598,748
331.31	Distr. Mains - ABS Cement, 4" & Under	20,522		20,522
331.32	Distr. Mains - ABS Cement, 6" - 8"	579,103		579,103
331.33	Distr. Mains - ABS Cement, 10" - 16"	730,351		730,351
331.41	Distr. Mains - Steel, 4" & Under	197,158		197,158
331.51	Distr. Mains - Plastic, 4" & Under	303,064		303,064
331.52	Distr. Mains - Plastic, 6" - 8"	14,394		14,394
331.56	Distr. Mains - Valves, 4" & Under	131,855		131,855
331.57	Distr. Mains - Valves, 6" - 8"	84,225		84,225
331.58	Distr. Mains - Valves, 10" - 16"	29,203		29,203
331.59	Distr. Mains - Valves, 18" & Over	30,879		30,879
331.60	Distr. Mains - Pressure Reducing Valve	15,810		15,810
331.70	Distr. Mains - Special Construction	15,202		15,202
331.75	Distr. Mains - River & Rail Crossing	26,885		26,885
331.76	Distr. Mains - Cleaning & Lining	311,982		311,982
	Total Account 331.02	14,209,585	0	14,209,585
331.30	Trans. & Distr. Mains - Bon Terrain	1,972,522		1,972,522
331.90	Trans. & Distr. Mains - Paving	1,706,097		1,706,097
	Total Account 331	23,645,502	0	261,294
Services				
333.10	Services- Copper	3,303,896		3,303,896
333.20	Services - CI & DI	118,509		118,509

PENNICHUCK WATER WORKS INC.

Summary of Utility Plant in Service Per Books,
Per Depreciation Study and Related Transfers as of December 31, 1995

Acct. No.	Description	Original Cost Per Books 12/31/95	Transfers	O.C. Per Deprec. Study 12/31/95
(a)	(b)	(c)	(d)	(e)
333.30	Services - Plastic	199,129		199,129
333.40	Services - Steel	28,274		28,274
	Sub-Total Services	3,649,808	0	3,649,808
333.50	Services - Bon Terrain	254,938		254,938
333.90	Services - Paving	86,130		86,130
	Total Account 333	3,990,876	0	3,990,876
334	Meters	2,084,318		2,084,318
	Fire Hydrants			
335.00	Hydrants	1,950,459		1,950,459
335.10	Hydrants - Paving	5,573		5,573
	Total Account 335	1,956,032	0	1,956,032
339	Other Plant & Misc. Equip.	10,118		10,118
	TOTAL Transmission & Distribution	34,503,553	0	11,119,345
	General Plant			
	<u>Office Furniture & Equipment</u>			
340.10	Office Furniture & Equipment	194,221	(53,574)*	140,647
340.20	Computer Equipment	670,684	53,574	724,258
	Total Account 340	864,905	0	864,905
				0
341	Transportation Equipment	666,580		666,580
343	Tools, & Shop & Garage Equipment	10,841		10,841
344	Laboratory Equipment	77,759		77,759
346	Communication Equipment	67,600		67,600
348	Miscellaneous Equipment	287,528		287,528
	TOTAL General Plant	1,975,213	0	1,975,213
	TOTAL Depreciable Plant	52,079,031	0	52,079,031

PENNICHUCK WATER WORKS INC.

Summary of Utility Plant in Service Per Books,
Per Depreciation Study and Related Transfers as of December 31, 1995

Acct. No. (a)	<u>Description</u> (b)	Original Cost Per Books <u>12/31/95</u> (c)	<u>Transfers</u> (d)	O.C. Per Deprec. Study <u>12/31/95</u> (e)
NON - DEPRECIABLE PLANT				
<u>Intangible Plant</u>				
301	Organization	1,476		1,476
302	Franchise	109,990		109,990
	Total Intangible Plant	111,466		111,466
<u>Land & Land Rights</u>				
303	Source of Supply & Pumping	262,238		262,238
	TOTAL Non-Depreciable Plant	373,704		373,704
	TOTAL Utility Plant in Service	52,452,735		52,452,735

* Transfer of 12-31-81 balance related to computer equipment from
account 2372.100 to account 2372.110 (65,540.11)

Transfer of 1989 retirement of 1981 vintage from account 2372.100
to account 2372.110 11,966.46

(53,573.65)

PENNICHUCK WATER WORKS INC.

Summary of Depreciation Reserve Per Books,
Per Depreciation Study and Related Transfers and Adjustments as of December 31, 1995

Acct. No.	Description	Deprec. Reserve Per Books 12/31/95	Transfers	Distribution of Reserve Loss / Gain Acct.	Deprec. Reserve Per Deprec. Study 12/31/95
(a)	(b)	(c)	(d)	(e)	(f)
DEPRECIABLE PLANT					
<u>Source of Supply & Pumping Plant</u>					
<u>Structures & Improvements</u>					
304.1	Struct. & Improv. - Source of Supply	485,971	(175,934)		310,037
304.2	Struct. & Improv. - Power & Pumping	302,203		(1,425)	300,778
304.3	Struct. & Improv. - Purification	1,846,332			1,846,332
304.4	Struct. & Improve. - General & Misc.	185,694		(13,445)	172,249
	Total Account 304	2,820,200	(175,934)	(14,870)	2,629,395
305	Collecting & Impounding Reservoirs	72,065	175,934		247,999
<u>Pumping Equipment</u>					
311.2	Pumping Equipment - Electric	186,674		(11,991)	174,683
311.3	Pumping Equipment - Diesel	22,585			22,585
311.4	Pumping Equipment - Hydraulic	33,428			33,428
311.5	Pumping Equipment - Natural Gas	63,556			63,556
311.6	Pumping Equipment - Other Power	3,173			3,173
	Total Account 311	309,416	0	(11,991)	297,425
	TOTAL Source of Supply & Pumping	3,201,681	0	(26,861)	3,174,820
<u>Water Treatment Plant</u>					
<u>Water Treatment Equipment</u>					
320.0	Purification System Equipment	19,820			19,820
320.1	Other Production Equipment	15,066			15,066
320.2	Water Treatment Equipment	1,056,784			1,056,784
	Total Account 320	1,091,670	0	0	1,091,670
	TOTAL Water Treatment Plant	1,091,670	0	0	1,091,670
<u>Transmission & Distribution</u>					
330	Distribution Reservoirs & Standpipes	627,505			627,505
<u>Transmission Mains</u>					
331.01	Trans. Mains -CI & DI, 4" & Under	2,893		(34)	2,859
331.02	Trans. Mains -CI & DI, 6" - 8"	17,607		(208)	17,399
331.03	Trans. Mains -CI & DI, 10" - 16"	71,617		(848)	70,769
331.04	Trans. Mains -CI & DI, 18" & Over	441,279		(5,225)	436,054
331.08	Trans. Mains - ASB Cement, 10" - 16"	4,513		(53)	4,460
331.09	Trans. Mains - ASB Cement, 18" & Over	31,496		(373)	31,123
331.13	Trans. Mains -Steel, 10" - 16"	17,816		(211)	17,605
331.16	Trans. Mains - Plastic, 4" & Under	85		(1)	84
331.17	Trans. Mains - Plastic, 6" - 8"	272		(3)	269
331.18	Trans. Mains - Plastic, 10" - 16"	5,936		(70)	5,866
	Total Account 331.01	593,514	0	(7,026)	586,488

PENNICHUCK WATER WORKS INC.

Summary of Depreciation Reserve Per Books,
Per Depreciation Study and Related Transfers and Adjustments as of December 31, 1995

Acct. No.	Description	Deprec. Reserve Per Books 12/31/95	Transfers	Distribution of Reserve Loss / Gain Acct.	Deprec. Reserve Per Deprec. Study 12/31/95
(a)	(b)	(c)	(d)	(e)	(f)
Distribution Mains					
331.21	Distr. Mains - CI & DI, 4" & Under	116,317		(257)	116,060
331.22	Distr. Mains - CI & DI, 6" - 8"	1,639,868		(3,617)	1,636,251
331.23	Distr. Mains - CI & DI, 10" - 16"	849,323		(1,874)	847,449
331.24	Distr. Mains - CI & DI, 18" & Over	183,827		(406)	183,421
331.31	Distr. Mains - ABS Cement, 4" & Under	3,639		(8)	3,631
331.32	Distr. Mains - ABS Cement, 6" - 8"	330,165		(728)	329,437
331.33	Distr. Mains - ABS Cement, 10" - 16"	346,223		(764)	345,459
331.41	Distr. Mains - Steel, 4" & Under	112,069		(247)	111,822
331.51	Distr. Mains - Plastic, 4" & Under	40,601		(90)	40,511
331.52	Distr. Mains - Plastic, 6" - 8"	1,668		(4)	1,664
331.56	Distr. Mains - Valves, 4" & Under	9,514		(21)	9,493
331.57	Distr. Mains - Valves, 6" - 8"	4,994		(11)	4,983
331.58	Distr. Mains - Valves, 10" - 16"	3,289		(7)	3,282
331.59	Distr. Mains - Valves, 18" & Over	1,698		(4)	1,694
331.60	Distr. Mains - Pressure Reducing Valve	2,394		(5)	2,389
331.70	Distr. Mains - Special Construction	8,462		(19)	8,443
331.75	Distr. Mains - River & Rail Crossing	12,767		(28)	12,739
331.76	Distr. Mains - Cleaning & Lining	109,277		(241)	109,036
	Total Account 331.02	3,776,095	0	(8,331)	3,767,764
331.30	Trans. & Distr. Mains - Bon Terrain	102,120			102,120
331.90	Trans. & Distr. Mains - Paving	534,405			534,405
	Total Account 331	5,006,134	0	(15,357)	4,990,777
Services					
333.10	Services - Copper	1,061,735		(4,826)	1,056,909
333.20	Services - CI & DI	35,650		(162)	35,488
333.30	Services - Plastic	69,200		(315)	68,885
333.40	Services - Steel	19,214		(87)	19,127
	Sub-Total Services	1,185,799	0	(5,390)	1,180,409
333.50	Services - Bon Terrain	27,150			27,150
333.90	Services - Paving	3,946			3,946
	Total Account 333	1,216,895	0	(5,390)	1,211,505
334	Meters	690,208		(8,629)	681,579
Fire Hydrants					
335.00	Hydrants	377,040		(3,453)	373,587
333.10	Hydrants - Paving	150			150
	Total Account 335	377,190	0	(3,453)	373,737

PENNICHUCK WATER WORKS INC.

Summary of Depreciation Reserve Per Books,
Per Depreciation Study and Related Transfers and Adjustments as of December 31, 1995

Acct. No.	Description	Deprec. Reserve Per Books 12/31/95	Transfers	Distribution of Reserve Loss / Gain Acct.	Deprec. Reserve Per Deprec. Study 12/31/95
(a)	(b)	(c)	(d)	(e)	(f)
339	Other Plant & Misc. Equip.	395			395
	TOTAL Transmission & Distribution	7,918,327	0	(32,829)	7,885,498
	General Plant				
	Office Furniture & Equipment				
340.10	Office Furniture & Equipment	129,209	3,629 *	(7,528)	125,310
340.20	Computer Equipment	229,817	(3,629)	(1,131)	225,057
	Total Account 340	359,026	0	(8,659)	350,367
341	Transportation Equipment	416,891		5,321	422,212
343	Tools, & Shop & Garage Equipment	4,543			4,543
344	Laboratory Equipment	44,667			44,667
346	Communication Equipment	45,549			45,549
348	Miscellaneous Equipment	74,505		(927)	73,578
	TOTAL General Plant	945,181	0	(4,265)	940,916
	TOTAL Depreciable Plant	13,156,859	0	(63,955)	13,092,904
	* Transfer of 12-31-81 balance related to computer equipment from account 2372.100 to account 2372.110		(8,337)		
	Transfer of 1989 retirement of 1981 vintage from account 2372.100 to account 2372.110		11,966		
			<u>3,629</u>		

PENNICHUCK WATER WORKS, INC.

Study Results

Account 304.10 - Structures and Improvements - Source of Supply

The Company's investment in this account totals \$1,552,755, has attained an average age of 5.7 years, and is presently depreciated utilizing an implicit annual depreciation rate of 2.93 percent. The development of the applicable depreciation rate for this property is being determined by life spanning the property investments fifty (50) years from their principal construction date to the applicable probable retirement year. The life for the a limited investment in miscellaneous fencing was based upon a twenty (20) year life span. In addition, an Iowa 90-R1, based upon an analysis of retirements totaling approximately \$10,165 during the years 1965-1995, as well as consideration of interim retirement rates for other structure accounts, was utilized to define the interim retirement rate anticipated to occur prior to the final retirement of each structure. The result of applying the Company's investment on a location basis to the Life Span Method was an implicit average service life of 43.7 years and an average remaining life of 38.9 years.

Average net salvage is estimated at negative ten (10) percent giving consideration to the fact that the Company will experience future expenditures for site clearance and renewal at the end of the property's useful service life. The resulting proposed annual depreciation rate is 2.31 percent.

Account 304.20 - Structures and Improvements - Power and Pumping

The Company's investment totaling \$1,400,070, has a current average age of 9.9

years, and is currently being depreciated based upon an implicit annual depreciation rate of 1.70 percent. As with the Company's other structure accounts, the average service life of this property group was determined through the application of the Life Span Method. That is, the vintage investment for each property location was life spanned from its original construction date, utilizing a fifty (50) year life span for each of the Company's thirteen (13) pumping station location investments. The fifty-year life span is based upon the general nature of the property, available historical experience, consideration of probable major future upgrades, as well as other operating utilities.

Retirements totaling approximately \$11,287 during the years 1965-1995 were studied via the Retirement Rate Method to determine the level of interim retirements anticipated to occur prior to the end of each property's useful service life. While the interim retirements have occurred at intermittent periods, they have generally occurred over various of the recent years. The result of this analysis was the recommended utilization of an Iowa 80-L1 interim retirement rate. The application of the interim rate to the Company's vintage investment using the Life Span Method and estimated probable retirement years, produces an implicit average service life of 42.0 years and an average remaining life of 34.3 years.

As with investments in other Structures and Improvements, it is anticipated that the Company will experience future expenditures related to cost of removal of the facilities at the end of their useful life which will exceed any gross salvage received. It is anticipated that the Company will incur costs in conjunction with the future retirement of property. Accordingly, average net salvage is estimated at negative ten (10) percent

and when combined with the average remaining life results in an annual depreciation rate of 2.58 percent.

Account 304.30 - Structures and Improvements - Purification

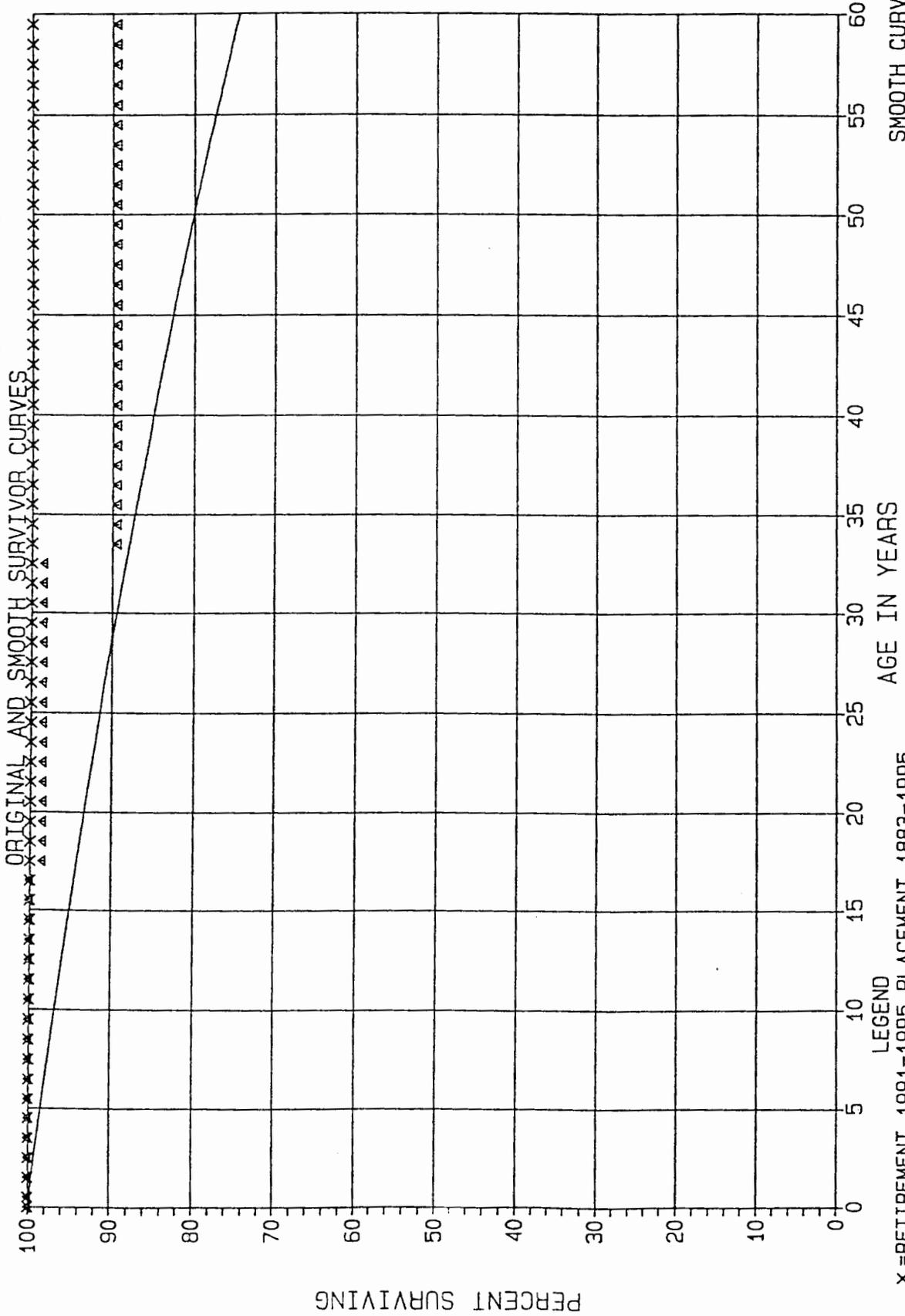
The Company's current investment in this category of property is \$6,207,285, has attained an average age of 14.2 years, and is presently depreciated utilizing an implicit annual depreciation rate of 1.97 percent. Of the Company's current surviving investment, a large majority was placed into service during 1980 when the Company constructed its present water treatment plant. The useful average service life of this property category is based upon the application of the Life Span Method in which the property was life spanned fifty (50) years from the applicable principal construction date.

Interim retirements totaling \$207,333, which occurred at an average age of 12.0 years during the years 1965-1995, were analyzed via the Retirement Rate Method and were utilized in the selection of an Iowa 70-L1 interim retirement rate. Application of the applicable life spans and Iowa 70-L1 interim rate to each location's investment results in an implicit average service life of 42.9 years and an average remaining life of 30.0 years.

Due to the ongoing changes anticipated to impact the Company's investment in treatment facilities, cost of removal is estimated to exceed any salvage received. In future years, it is anticipated that cost of removal, due to continuing regulatory requirements, will be incurred with future retirements. Accordingly, a future net salvage of negative ten (10) percent is recommended in determining the current recommended annual depreciation rate of 2.68 percent for this property group.

PENNICHUCK WATER WORKS, INC

ACCOUNT 30410 - STRUCT. & IMPROV. - SOURCE OF SUPPLY



LEGEND
 x = RETIREMENT 1991-1995, PLACEMENT 1883-1995
 ▲ = RETIREMENT 1965-1995, PLACEMENT 1883-1995

SMOOTH CURVE
 (IOWA 90 R1)

PENNICHUCK WATER WORKS, INC

RETIREMENT EXPR 1965 TO 1990
 PLACEMENT YEARS 1883 TO 1950

ACCOUNT 30410 - STRUCT. & IMPROV. - SOURCE OF SUPPLY

OBSERVED LIFE TABLE

AGE INTERVAL	\$ SURVIVING AT BEGINNING OF AGE INTERVAL	\$ RETIRED DURING THE AGE INTERVAL	RETIREMENT RATIO	% SURVIVING AT BEGINNING OF AGE INTERVAL
0.0 - 0.5	956,932	0	0.00000	100.00
0.5 - 1.5	1,586,897	0	0.00000	100.00
1.5 - 2.5	1,585,800	0	0.00000	100.00
2.5 - 3.5	709,547	0	0.00000	100.00
3.5 - 4.5	709,547	0	0.00000	100.00
4.5 - 5.5	707,614	0	0.00000	100.00
5.5 - 6.5	707,614	0	0.00000	100.00
6.5 - 7.5	700,600	0	0.00000	100.00
7.5 - 8.5	700,997	0	0.00000	100.00
8.5 - 9.5	705,622	0	0.00000	100.00
9.5 - 10.5	705,622	0	0.00000	100.00
10.5 - 11.5	123,280	0	0.00000	100.00
11.5 - 12.5	123,280	0	0.00000	100.00
12.5 - 13.5	104,007	0	0.00000	100.00
13.5 - 14.5	104,007	0	0.00000	100.00
14.5 - 15.5	95,093	0	0.00000	100.00
15.5 - 16.5	95,093	0	0.00000	100.00
16.5 - 17.5	95,093	1,472	0.01548	100.00
17.5 - 18.5	93,621	0	0.00000	98.45
18.5 - 19.5	93,621	0	0.00000	98.45
19.5 - 20.5	78,093	0	0.00000	98.45
20.5 - 21.5	78,093	0	0.00000	98.45
21.5 - 22.5	77,799	0	0.00000	98.45
22.5 - 23.5	77,799	0	0.00000	98.45
23.5 - 24.5	77,799	0	0.00000	98.45
24.5 - 25.5	77,799	0	0.00000	98.45
25.5 - 26.5	77,799	0	0.00000	98.45
26.5 - 27.5	77,279	0	0.00000	98.45
27.5 - 28.5	77,279	0	0.00000	98.45
28.5 - 29.5	70,735	0	0.00000	98.45
29.5 - 30.5	70,166	0	0.00000	98.45
30.5 - 31.5	15,122	0	0.00000	98.45
31.5 - 32.5	13,998	0	0.00000	98.45
32.5 - 33.5	13,998	1,295	0.09251	98.45
33.5 - 34.5	3,257	0	0.00000	89.34
34.5 - 35.5	3,257	0	0.00000	89.34
35.5 - 36.5	3,257	0	0.00000	89.34
36.5 - 37.5	3,257	0	0.00000	89.34
37.5 - 38.5	3,257	0	0.00000	89.34
38.5 - 39.5	2,860	0	0.00000	89.34
39.5 - 40.5	1,002	0	0.00000	89.34
40.5 - 41.5	1,002	0	0.00000	89.34
41.5 - 42.5	1,002	0	0.00000	89.34
42.5 - 43.5	1,002	0	0.00000	89.34
43.5 - 44.5	1,002	0	0.00000	89.34

PENNICHUCK WATER WORKS, INC

RETIREMENT EXPR 1965 TO 1995
 PLACEMENT YEARS 1883 TO 1995

ACCOUNT 30410 - STRUCT. & IMPROV. - SOURCE OF SUPPLY

OBSERVED LIFE TABLE

AGE INTERVAL	\$ SURVIVING AT BEGINNING OF AGE INTERVAL	\$ RETIRED DURING THE AGE INTERVAL	RETIREMENT RATIO	% SURVIVING AT BEGINNING OF AGE INTERVAL
44.5 - 45.5	1,002	0	0.00000	89.34
45.5 - 46.5	0	0	0.00000	89.34
46.5 - 47.5	0	0	0.00000	89.34
47.5 - 48.5	0	0	0.00000	89.34
48.5 - 49.5	0	0	0.00000	89.34
49.5 - 50.5	0	0	0.00000	89.34
50.5 - 51.5	0	0	0.00000	89.34
51.5 - 52.5	0	0	0.00000	89.34
52.5 - 53.5	0	0	0.00000	89.34
53.5 - 54.5	0	0	0.00000	89.34
54.5 - 55.5	0	0	0.00000	89.34
55.5 - 56.5	0	0	0.00000	89.34
56.5 - 57.5	0	0	0.00000	89.34
57.5 - 58.5	0	0	0.00000	89.34
58.5 - 59.5	0	0	0.00000	89.34
59.5 - 60.5	0	0	0.00000	89.34
60.5 - 61.5	0	0	0.00000	89.34
61.5 - 62.5	0	0	0.00000	89.34
62.5 - 63.5	0	0	0.00000	89.34
63.5 - 64.5	0	0	0.00000	89.34
64.5 - 65.5	0	0	0.00000	89.34
65.5 - 66.5	1,490	0	0.00000	89.34
66.5 - 67.5	1,490	0	0.00000	89.34
67.5 - 68.5	1,490	0	0.00000	89.34
68.5 - 69.5	1,490	0	0.00000	89.34
69.5 - 70.5	1,490	0	0.00000	89.34
70.5 - 71.5	3,390	0	0.00000	89.34
71.5 - 72.5	3,390	0	0.00000	89.34
72.5 - 73.5	3,390	0	0.00000	89.34
73.5 - 74.5	3,390	400	0.11799	89.34
74.5 - 75.5	2,990	0	0.00000	78.80
75.5 - 76.5	2,990	0	0.00000	78.80
76.5 - 77.5	2,990	0	0.00000	78.80
77.5 - 78.5	2,990	0	0.00000	78.80
78.5 - 79.5	2,990	1,500	0.50167	78.80
79.5 - 80.5	1,490	0	0.00000	39.27
80.5 - 81.5	1,490	0	0.00000	39.27
81.5 - 82.5	6,030	0	0.00000	39.27
82.5 - 83.5	6,030	0	0.00000	39.27
83.5 - 84.5	6,030	0	0.00000	39.27
84.5 - 85.5	6,030	0	0.00000	39.27
85.5 - 86.5	6,030	0	0.00000	39.27
86.5 - 87.5	6,030	0	0.00000	39.27
87.5 - 88.5	6,030	0	0.00000	39.27
88.5 - 89.5	6,030	0	0.00000	39.27

PENNICHUCK WATER WORKS, INC

RETIREMENT EXPR 1965 TO 199
 PLACEMENT YEARS 1883 TO 1995

ACCOUNT 30410 - STRUCT. & IMPROV. - SOURCE OF SUPPLY

OBSERVED LIFE TABLE

AGE INTERVAL	\$ SURVIVING AT BEGINNING OF AGE INTERVAL	\$ RETIRED DURING THE AGE INTERVAL	RETIREMENT RATIO	% SURVIVING AT BEGINNING OF AGE INTERVAL
89.5 - 90.5	6,030	0	0.00000	39.27
90.5 - 91.5	6,030	0	0.00000	39.27
91.5 - 92.5	6,030	0	0.00000	39.27
92.5 - 93.5	6,030	0	0.00000	39.27
93.5 - 94.5	6,030	0	0.00000	39.27
94.5 - 95.5	6,030	0	0.00000	39.27
95.5 - 96.5	6,030	0	0.00000	39.27
96.5 - 97.5	4,540	0	0.00000	39.27
97.5 - 98.5	4,540	0	0.00000	39.27
98.5 - 99.5	4,540	0	0.00000	39.27
99.5 -100.5	4,540	0	0.00000	39.27
100.5 -101.5	4,540	0	0.00000	39.27
101.5 -102.5	4,540	0	0.00000	39.27
102.5 -103.5	4,540	0	0.00000	39.27
103.5 -104.5	4,540	0	0.00000	39.27
104.5 -105.5	4,540	0	0.00000	39.27
105.5 -106.5	4,540	0	0.00000	39.27
106.5 -107.5	4,540	0	0.00000	39.27
107.5 -108.5	4,540	0	0.00000	39.27
108.5 -109.5	4,540	0	0.00000	39.27
109.5 -110.5	4,540	0	0.00000	39.27
110.5 -111.5	4,540	0	0.00000	39.27
111.5 -112.5	4,540	0	0.00000	39.27