

Exhibit A

City of Nashua: Taking of Pennichuck Water Works, Inc.

DW 04-048

Pennichuck Water Works, Inc. and Pennichuck Corporation's Responses to
City of Nashua's First Set of Data Requests on Valuation

Date Request Received: May 3, 2005
Data Request No.: Nashua 1-21

Date of Response: June 10, 2005
Witness: Bonalyn J. Hartley

REQUEST: Provide the Continuing Property Records for PWW arranged by NARUC/NH PUC chart of accounts by service area, by vintage year showing beginning balance, additions, retirements, adjustments and ending balance. Explain each adjustment amount.

RESPONSE: Copies of PWW's continuing property records arranged by NARUC/NHPUC chart of accounts are available in the data room. No adjustments to these accounts have been made.

City of Nashua: Taking of Pennichuck Water Works, Inc.

DW 04-048

Pennichuck Water Works, Inc. and Pennichuck Corporation's Responses to
the City of Nashua's Second Set of Data Requests on Valuation

Date of Request: July 8, 2005
Data Request No.: Nashua 2-2

Date of Response: July 29, 2005
Witness: Bonalyn J. Hartley

REQUEST: Provide the Continuing Property Record data requested in Nashua Data Request 1-21 for all property in service as of 12/31/04, arranged by: (a) System/Service Area; (b) NARUC/PUC Account Number (or equivalent GL #); and (c) in service and/or retirement date. Include an explanation of each field in PWW's Continuing Property Record data and all keys, charts, and/or numbering systems associated with PWW's Continuing Property Records needed to understand the fields therein.

RESPONSE: Pennichuck Water Works, Inc. does not maintain its Continuing Property Records by system, and due to software limitations, cannot generate such a listing that reflects all of its assets by system. In response to this request, Pennichuck is producing to Nashua a CD-ROM that lists Pennichuck Water Works' assets by municipality. However, due to software limitations, this list is not complete. Pennichuck has previously produced in the data room a list of its Continuing Property Records, which is complete.

City of Nashua: Taking of Pennichuck Water Works, Inc.

DW 04-048

Pennichuck Water Works, Inc. and Pennichuck Corporation's Responses to
the City of Nashua's Second Set of Data Requests on Valuation

Date of Request: July 8, 2005
Data Request No.: Nashua 2-3

Date of Response: July 29, 2005
Witness: Bonalyn J. Hartley

REQUEST: Provide PWW's Continuing Property Record data requested above in an electronic data file that can be read by Microsoft Excel or Access, that contains data records for plant in service as of 12/31/2004 with, as a minimum, fields for the name or description of the transaction, the Asset ID, the System or Service Area in which located, the year the asset was placed in service and its original cost. If this information is not available in an electronic data file readable by Microsoft Excel or Access, please explain the reasons therefore and the format in which such information may be made available. Provide an explanation for each field and/or abbreviation used sufficient to understand the entries therein.

RESPONSE: See response to Nashua 2-2.

Exhibit B

Justin Richardson

From: SARAH.KNOWLTON@MCLANE.com
Sent: Monday, August 29, 2005 9:25 AM
To: jrichardson@Upton-Hatfield.com
Cc: rupton@Upton-Hatfield.com; pmunck@sansoucy.com; connelld@ci.nashua.nh.us; TOM.DONOVAN@MCLANE.com; STEVEN.CAMERINO@MCLANE.com; gsansoucy@verizon.net
Subject: RE: DR 2-2 and 2-3

Justin:

I have reviewed in depth the F8, the PUC's Uniform System of Account for Water Utilities and the Company's response to Nashua Data Requests 2-2 and 2-3 in an effort to respond to your questions.

Regarding your question about the F8, its format is prescribed by the PUC. Looking at the F8, the breakdowns you reference in your e-mail (Intangible Plant .1, Source of Supply and Pumping Plant .2, etc.) are used only as headings in the F8. Under each of these headings is a list of the various accounts in question (e.g., 301, 302, 339, etc). These account numbers correspond with the Chart of Accounts. If you were to pull the Chart of Accounts and read the detailed description of what goes in each account (as opposed to the table of contents), you will note that there are no fourth digit sub-accounts in the plant account descriptions. As an example, Account 304, Structures and Improvements, contains no fourth decimal designation. If Mr. Sansoucy or Mr. Munck were to take the print out that we provided in response to Nashua 2-2, it breaks down each asset of the Company by account number. Using the prior explanation I provided about the meaning of each digit, one could total each GL Acct # on the response to DR 2-2 (e.g. totaling all account numbers 304), which would tie into the number entered for that account on the F8. I would also note that the continuing property records provided in response to DR 2-2 contain detailed descriptions of the asset in question. Thus, we believe we have provided what the City needs to determine its value of the assets.

In addition, we are not familiar with Utility Plant Instruction 32 (I don't find it in my Chart of Accounts), or the requirement to maintain the continuing property records with a fourth decimal point designation. Since the most recent version of the Chart of Accounts was adopted by the Commission, its Staff has audited the Company at least three times and never raised this issue of fourth decimal point designation or raised a concern that the Company was not following Commission procedural regarding the Chart. Finally, the Company does not maintain a separate document explaining or showing what accounts it maintains. Rather, it relies on the Chart of Accounts itself as its guide for determining what accounts to maintain and where to account for its assets.

If you have any further questions, or need me to walk you through this on the phone, I'd be glad to.

Sarah

-----Original Message-----

From: Justin Richardson [mailto:jrichardson@Upton-Hatfield.com]
Sent: Friday, August 19, 2005 3:18 PM
To: KNOWLTON SARAH
Cc: Rob Upton; 'pmunck@sansoucy.com'; 'connelld@ci.nashua.nh.us'; DONOVAN TOM; CAMERINO STEVEN; 'gsansoucy@verizon.net'
Subject: RE: DR 2-2 and 2-3

Sarah:

Based on your response, it appears that we are still missing the additional breakdown for functions and subaccounts that PWW is required to maintain under the PUC regs and the NARUC Uniform System of Accounts for Water Utilities. PWW's response to 2-2 and 2-3 contains a three digit account code. However, Utility Plant Instruction 32 requires the use of a four digit number for water utility plant accounts. The fourth digit breaks accounts into the categories of intangible plant (.1), source of supply and pumping plant (.2), water treatment plant (.3), transmission and distribution plant (.4) and general plant (.5). Based on the company's Schedule F-8 reported annually to the NHPUC, we know that the company uses this four digit system.

This information provided by the fourth digit is important because Mr. Sansoucy needs the Company's breakdown of costs for his valuation report and testimony. We therefore need to have PWW update its response to provide the Continuing Property Records using the required 4 digit account codes. We also asked for "an explanation of each field in PWW's Continuing Property Record data and all keys, charts, and/or numbering systems associated with PWW's Continuing Property Records needed to understand the fields therein." Your response gives us a better understanding of PWW's response, but we need the documents explaining or showing what accounts the company maintains in its Continuing Property Record System, so that we can be sure that there are not any accounts or cost information that we have overlooked.

Thank you for your assistance in this regard.

If you have any questions, please contact me.

-Justin

Justin C. Richardson
Upton & Hatfield, LLP
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-----Original Message-----

From: SARAH.KNOWLTON@MCLANE.com [mailto:SARAH.KNOWLTON@MCLANE.com]
Sent: Monday, August 15, 2005 2:54 PM
To: rupton@Upton-Hatfield.com
Cc: connelld@ci.nashua.nh.us; pmunck@sansoucy.com; sansoucy@verizon.net;
jrichardson@Upton-Hatfield.com; TOM.DONOVAN@MCLANE.com;
STEVEN.CAMERINO@MCLANE.com
Subject: RE: DR 2-2 and 2-3

Rob,

The fields in PWW's Continuing Property Records can be translated as set forth below. Hopefully this will answer the question once and for all!
Sarah

The first digit is the company identifier (PWW), the next three digits match the PUC Chart of Accounts, the next three are an internal placeholder, and the final three identify the PWW system.

Ex: 2304-100-011 2=PWW 304=PUC Chart 100=separator number 011=Glenwoodlands

The following digits are used to identify the PWW system:

001= Includes all systems not listed in 002-011
002-Richardson Estates
003-Hi-Lo Estates
004-Twin Ridge
005-Drew Woods
006-Glen Ridge
007= Ashley Commons
008-Bedford Water Co.
009=Great Brook Estates
010=Maple Haven
011=Glenwoodlands

Sarah Knowlton
McLane, Graf, Raulerson & Middleton, Professional Association 100 Market Street, Suite 301 P.O. Box 459 Portsmouth, NH 03802-0459 (603)334-6928
- telephone (603)436-5672 - facsimile www.mclane.com

-----Original Message-----

From: Rob Upton [mailto:rupton@Upton-Hatfield.com]
Sent: Monday, August 08, 2005 3:58 PM
To: KNOWLTON SARAH
Cc: Dave Connell (E-mail); Phil Munck (E-mail); Skip Sansoucy (E-mail); Justin Richardson
Subject: DR 2-2 and 2-3

Sarah

Our request for Continuing Property Records in Requests 2-2 and 2-3 asked for an explanation of the fields in the records provided. I cannot find that explanation in your response. Specifically, we are looking for explanations of the fields that make up the "Asset GL Acct #" and a roadmap of those account numbers to the account numbers reported in PWW's Annual Report to the NH PUC. I believe that digits 2-4

are the general plant account categories (i.e., 2304 refers to account 304 - Structures & Improvements). The second four digits are not so clear (probably distinguish between uses such as Source of Supply, etc.) and the seventh digit is a mystery. Can we get this data without having to make a major fuss? Rob

Exhibit C



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Please respond to the Concord office

September 10, 2005

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Portsmouth, NH 03802-0459

RE: Nashua Petition for Valuation/Data Requests Nos. 2-2 and 2-3
NH PUC Docket DW04-048

Dear Sarah:

I write in response to your August 29, 2005 email and our discussions concerning Nashua's data requests for Pennichuck Water Works, Inc.'s Continuing Property Records. I have enclosed copies of Nashua's Data Requests Nos. 1-21, 2-2 and 2-3 with portions of the company's responses for reference.

First, you are correct that the *Uniform System of Accounts* used by the Commission does not include Utility Plant Instruction No. 32. I was under the impression that the Commission had adopted the NARUC *Uniform System of Accounts* under RSA 374:8, which uses a different numbering scheme. Since your response, however, the Commission's staff has provided me with its *Uniform System of Accounts*, formerly Rule PUC 610, excerpts of which I also enclose for reference. Based on my discussions with staff, the enclosed rules, with only minor modifications not relevant here, govern the Continuing Property Records requested by Nashua. As set forth below, these rules clearly require that the company to maintain the information requested by Nashua in a "readily accessible" format.

For example, Utility Plant Instruction 15, former Rule PUC 610.01 (e)(15), entitled *Utility Plant - Plant Account Matrix* states that "Class A and Class B utilities ... are required to subdivide the plant accounts into "functional" operations. *The subaccounts are to be designated by adding a suffix of one decimal place to the three digit account number.*" (emphasis added). The required breakdown into subaccounts is listed both in Utility Plant Instruction 15

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Robert Upton, II

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September 10, 2005

Page 2

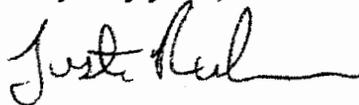
(B), and in the list of Plant Accounts themselves and include: (1) Intangible Plant; (2) Source of Supply and Pumping Plant; (3) Water Treatment Plant; (4) Transmission and Distribution Plant; and (5) General Plant. See *Uniform System of Accounts*, Pages 6-8, 35-36 & 86-89 (enclosed).

In several locations, the Commission's *Uniform System of Accounts* requires that the breakdown into subaccounts be included in the Continuing Property Records requested by Nashua. In addition to Instruction 15 listed above, former Rule PUC 610.01 (b)(C) states that "[t]he Commission shall require a company to maintain financial and other subsidiary records in such a manner that specific information, of a type not warranting disclosure as an account or subaccount, shall be readily available." (emphasis added). Instruction 20 (B), entitled *Utility Plant – Continuing Property Records*, states that "[t]he Continuing Property Records shall be arranged in conformity with the Utility Plant accounts" which are shown on Pages 6-8 and repeated again on Pages 86-88. Finally, as stated on Page 90, while Class C utilities may use only object accounts, the accounts for Class A utilities such as Pennichuck "are further segregated by the matrix into classification by functions or subaccounts."

I find it difficult to believe that the company is unable or unwilling to provide the breakdown into subaccounts when the Commission's regulations require that the company maintain this information, and, the company in fact reports this information on an annual basis to the Commission in its Form F8 (enclosed). As I indicated earlier, this information is critical to Nashua's valuation testimony because it is used in the cost approach to value the company's utility property. Because that testimony is currently scheduled for October 14, 2005, it is imperative that this information be provided immediately. If the company is unable or unwilling to do so, Nashua will have no choice but to request that the Commission compel production of this information and/or impose other sanctions.

If you have any questions, please contact me.

Very truly yours,



Justin C. Richardson

jrichardson@upton-hatfield.com

cc: Robert Upton, II, Esq.
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RESPONSE: Copies of PWW's continuing property records arranged by NARUC/NHPUC chart of accounts are available in the data room. No adjustments to these accounts have been made.

Pennichuck Water Works Inc
 Net Book Value (Depreciation)
 GAAP

A - K : Nashua
 For the Period January 1, 2004 to December 31, 2004

PW 004033

Asset ID	ASSET BALANCES				DEPRECIATION				End. Balance	Net Book Value
	Beginning	Additions	Deletions	Ending	Orig. Balance	Depr Exp & AFYD	Sec 179E/179A	Chg. Additions		
Asset GL Acct #: 2303-400-001										
Acquisition Date: Jan-1988 to Dec-1988										
Life Yr Mo: 0 yr 0 mo										
Unchanged Assets All assets that have no activity during the focus period										
	8,694.50	0.00	0.00	8,694.50	0.00	0.00	0.00	0.00	0.00	8,694.50
Acquisition Date: Jan-2000 to Dec-2000										
Life Yr Mo: 0 yr 0 mo										
Unchanged Assets All assets that have no activity during the focus period										
	254.95	0.00	0.00	254.95	0.00	0.00	0.00	0.00	0.00	254.95
Asset GL Acct #: 2303-500-001										
Acquisition Date: Jan-1984 to Dec-1984										
Life Yr Mo: 0 yr 0 mo										
Unchanged Assets All assets that have no activity during the focus period										
	864.88	0.00	0.00	864.88	0.00	0.00	0.00	0.00	0.00	864.88
Acquisition Date: Jan-1986 to Dec-1986										
Life Yr Mo: 0 yr 0 mo										
Unchanged Assets All assets that have no activity during the focus period										
	33,783.04	0.00	0.00	33,783.04	0.00	0.00	0.00	0.00	0.00	33,783.04
Asset GL Acct #: 2304-100-001										
Acquisition Date: Jan-1901 to Dec-1901										
Life Yr Mo: 39 yr 8 mo										
20000-000463 900' STONE WALLED BROOK CHANNEL-AT SUPPLY DAM&M PUMPING STA										
	780.00	0.00	0.00	780.00	854.96	19.16	0.00	0.00	0.00	874.12
Acquisition Date: Jan-1958 to Dec-1958										
Life Yr Mo: 39 yr 8 mo										
20000-000468 REPAIRS TO HARRIS DAM-										
	10,364.27	0.00	0.00	10,364.27	11,920.23	261.24	0.00	0.00	0.00	12,181.47
Acquisition Date: Jan-1973 to Dec-1973										
Life Yr Mo: 39 yr 8 mo										
20000-000459 HARRIS DAM BRIDGE-										
	16,900.00	0.00	0.00	16,900.00	14,543.79	426.05	0.00	0.00	0.00	14,969.84
Acquisition Date: Jan-1975 to Dec-1975										
Life Yr Mo: 39 yr 8 mo										
20000-000456 REPAIRS TO HARRIS DAM-										
	4,452.63	0.00	0.00	4,452.63	5,121.18	112.25	0.00	0.00	0.00	5,233.43
Acquisition Date: Jan-1982 to Dec-1982										
Life Yr Mo: 39 yr 8 mo										
20000-000456 RESURFACE HARRIS DAM BRIDGE-										
	1,326.98	0.00	0.00	1,326.98	1,094.04	33.45	0.00	0.00	0.00	1,128.39
Acquisition Date: Jan-1987 to Dec-1987										
Life Yr Mo: 39 yr 8 mo										

City of Nashua: Taking of Pennichuck Water Works, Inc.

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Pennichuck Water Works, Inc. and Pennichuck Corporation's Responses to
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Date of Response: July 29, 2005
Witness: Bonalyn J. Hartley

REQUEST: Provide the Continuing Property Record data requested in Nashua Data Request 1-21 for all property in service as of 12/31/04, arranged by: (a) System/Service Area; (b) NARUC/PUC Account Number (or equivalent GL #); and (c) in service and/or retirement date. Include an explanation of each field in PWW's Continuing Property Record data and all keys, charts, and/or numbering systems associated with PWW's Continuing Property Records needed to understand the fields therein.

RESPONSE: Pennichuck Water Works, Inc. does not maintain its Continuing Property Records by system, and due to software limitations, cannot generate such a listing that reflects all of its assets by system. In response to this request, Pennichuck is producing to Nashua a CD-ROM that lists Pennichuck Water Works' assets by municipality. However, due to software limitations, this list is not complete. Pennichuck has previously produced in the data room a list of its Continuing Property Records, which is complete.

City of Nashua: Taking of Pennichuck Water Works, Inc.

DW 04-048

Pennichuck Water Works, Inc. and Pennichuck Corporation's Responses to
the City of Nashua's Second Set of Data Requests on Valuation

Date of Request: July 8, 2005
Data Request No.: Nashua 2-3

Date of Response: July 29, 2005
Witness: Bonalyn J. Hartley

REQUEST: Provide PWW's Continuing Property Record data requested above in an electronic data file that can be read by Microsoft Excel or Access, that contains data records for plant in service as of 12/31/2004 with, as a minimum, fields for the name or description of the transaction, the Asset ID, the System or Service Area in which located, the year the asset was placed in service and its original cost. If this information is not available in an electronic data file readable by Microsoft Excel or Access, please explain the reasons therefore and the format in which such information may be made available. Provide an explanation for each field and/or abbreviation used sufficient to understand the entries therein.

RESPONSE: See response to Nashua 2-2.

Pennichuck Water Works Inc
 Net Book Value [Depreciation]

GAAP
 Amherst Taxable Assets

For the Period January 1, 2004 to December 31, 2004

Asset ID	Beginning	Additions	ASSET BALANCES			Reg. Balance	Depr Exp & AFYD	Sec 179/179A	Chg. Additions	DEPRECIATION			End. Balance	Net Book Value
			Deletions	Ending						Deletions				
Asset GL Acct #: 2303-200-001														
Acquisition Date: Jan-1982 to Dec-1982														
20000-090023														
Subtotal: Jan-1982 to Dec-1982 (1)		652.00	0.00	0.00	652.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	652.00	652.00
Acquisition Date: Jan-1982 to Dec-1982														
20000-090024														
Subtotal: Jan-1982 to Dec-1982 (1)		652.00	0.00	0.00	652.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	652.00	652.00
Acquisition Date: Jan-1987 to Dec-1987														
20000-090024														
Subtotal: Jan-1987 to Dec-1987 (1)		4,038.73	0.00	0.00	4,038.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,038.73	4,038.73
Acquisition Date: Jan-1987 to Dec-1987														
20000-090024														
Subtotal: 2303-200-001 (2)		4,890.73	0.00	0.00	4,890.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,890.73	4,890.73
Asset GL Acct #: 2303-400-001														
Acquisition Date: Jan-1988 to Dec-1988														
20000-090100														
Subtotal: 2303-400-001 (3)		4,317.00	0.00	0.00	4,317.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,317.00	4,317.00
Asset GL Acct #: 2303-650-001														
Acquisition Date: Jan-1989 to Dec-1989														
20000-090104														
Subtotal: Jan-1988 to Dec-1988 (3)		15,667.50	0.00	0.00	15,667.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,667.50	15,667.50
Acquisition Date: Jan-1989 to Dec-1989														
20000-090354														
Subtotal: Jan-1989 to Dec-1989 (1)		20,564.00	0.00	0.00	20,564.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,564.00	20,564.00
Asset GL Acct #: 2303-650-001														
Acquisition Date: Jan-1999 to Dec-1999														
20000-090354														
Subtotal: Jan-1999 to Dec-1999 (1)		3,324.58	0.00	0.00	3,324.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,324.58	3,324.58
Subtotal: 2303-650-001 (1)		3,324.58	0.00	0.00	3,324.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,324.58	3,324.58

Asset ID	Beginning	Additions	Deletions	Ending	Dep. Balance	Depr Exp & AFVD	Sec 179/179A	Ch. Additions	DEPRECIATION	End. Balance	Net Book Value
Asset GL Acct #: 2304-101-001											
Acquisition Date: Jan-1993 to Dec-1993											
20000-002428											
	BON TERRAIN ACQUISITIONS-SOURCE/SUPPLY STRUCTURES										
Subtotal: Jan-1993 to Dec-1993 (1)	275,594.69	0.00	0.00	275,594.69	92,804.20	7,137.85	0.00	0.00	0.00	99,942.05	175,652.64
Acquisition Date: Jan-1998 to Dec-1998											
20000-003091											
	BON TERRAIN - TEST WELLS-										
Subtotal: Jan-1998 to Dec-1998 (1)	2,867.02	0.00	0.00	2,867.02	594.22	74.31	0.00	0.00	0.00	668.53	2,198.49
Subtotal: 2304-101-001 (2)	278,461.71	0.00	0.00	278,461.71	93,398.42	7,212.16	0.00	0.00	0.00	100,610.58	177,851.13
Asset GL Acct #: 2304-102-001											
Acquisition Date: Jan-1993 to Dec-1993											
20000-002429											
	BON TERRAIN ACQUISITIONS-S S STRUCTURES-DEV. INSTALLED										
Subtotal: Jan-1993 to Dec-1993 (1)	404,000.00	0.00	0.00	404,000.00	126,578.18	10,463.60	0.00	0.00	0.00	137,041.78	266,958.22
Subtotal: 2304-102-001 (1)	404,000.00	0.00	0.00	404,000.00	128,578.18	10,463.60	0.00	0.00	0.00	137,041.78	266,958.22
Asset GL Acct #: 2304-103-001											
Acquisition Date: Jan-2001 to Dec-2001											
20000-004828											
	AVD TANK REBUILDING-										
Subtotal: Jan-2001 to Dec-2001 (1)	289,229.38	0.00	0.00	289,229.38	20,242.66	7,490.90	0.00	0.00	0.00	27,733.56	261,495.82
Acquisition Date: Jan-2002 to Dec-2002											
20000-005055											
	AVD TANK REPLACEMENT-(OCT. 2001 PROJECT)										
Subtotal: 20000-005076	217.00	0.00	0.00	217.00	0.56	5.62	0.00	0.00	0.00	15.18	201.82
Subtotal: Jan-2002 to Dec-2002 (2)	7,542.55	0.00	0.00	7,542.55	332.40	195.49	0.00	0.00	0.00	527.89	7,014.66
Subtotal: 2304-103-001 (3)	7,759.55	0.00	0.00	7,759.55	341.96	201.11	0.00	0.00	0.00	643.07	7,216.48
Asset GL Acct #: 2304-266-001											
Acquisition Date: Jan-1989 to Dec-1989											
20000-004325											
	SEAVERNIS 101A WELL-SOUHEGAN WOODS										
Subtotal: Jan-1989 to Dec-1989 (1)	144,556.89	0.00	0.00	144,556.89	17,794.59	3,787.39	0.00	0.00	0.00	21,581.98	122,974.91
Subtotal: 2304-265-001 (1)	144,556.89	0.00	0.00	144,556.89	17,794.59	3,787.39	0.00	0.00	0.00	21,581.98	122,974.91
Asset GL Acct #: 2304-550-001											
Acquisition Date: Jan-1993 to Dec-1993											
20000-004325											
	SEAVERNIS 101A WELL-SOUHEGAN WOODS										
Subtotal: Jan-1993 to Dec-1993 (1)	144,556.89	0.00	0.00	144,556.89	17,794.59	3,787.39	0.00	0.00	0.00	21,581.98	122,974.91

**NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

PART Puc 610

**UNIFORM SYSTEM OF ACCOUNTS FOR
WATER UTILITIES**

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CHART OF ACCOUNTS

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GENERAL INSTRUCTIONS

610.01(a) Classification of Companies

A. All water companies shall be required to maintain the accounts and comply with the record keeping requirements described herein. For accounting purposes, companies shall be divided into classes as follow:

1. **Class A.** Utilities having annual water operating revenues of \$750,000 or more.
2. **Class B.** Utilities having annual water operating revenues of \$150,000 or more, but less than \$750,000.
3. **Class C.** Utilities having annual water operating revenues of less than \$150,000.

B. The class to which any utility belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the annual water operating revenues for each of the three immediately preceding years shall exceed the upper limit, or be less than the lower limit, of the annual water operating revenues of the classification previously applicable to the utility.

C. Water companies shall keep all the accounts of this system of accounts which are applicable to their affairs and are designated. These companies shall also keep Basic Property Records.

610.01(b) Records

A. The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts. The books of accounts of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall keep its accounts monthly and shall close its books at the end of each calendar year.

B. The company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of this Commission.

C. The Commission shall require a company to maintain financial and other subsidiary records in such a manner that specific information, of a type not warranting disclosure as an account or subaccount, shall be readily available. When this occurs, or where the full information is not otherwise recorded in the general books, the subsidiary records shall be maintained in sufficient detail to facilitate the reporting of the required specific information. The subsidiary records, in which the full details are shown, shall be sufficiently referenced to permit ready identification and examination by representatives of this Commission, and shall be kept in such manner that they may be produced within the state at such times and places as the Commission may designate.

with the book cost of the item transferred; the accumulated depreciation shall then be credited and account 121 - Nonutility Property concurrently charged with the market value of the property transferred. If the property is sold within a relatively short time, a debit or credit shall be made to the accumulated depreciation to adjust the estimated salvage value to the amount actually realized.

610.01(e)(13) Utility Plant - Common Plant

A. If the utility is engaged in more than one utility service such as water, sewer, electric and gas, and if any of its utility plant is used in common for several utility services or for other purposes to such an extent and in such manner that it is impracticable to segregate it by utility services currently in the accounts, then such property with the approval of the Commission, may be designated and classified as "common utility plant".

B. Utility plant designated as common utility plant shall be classified according to the detailed utility plant accounts appropriate for the property.

C. The utility shall be prepared to show at any time and to report to the Commission annually, or more frequently if required, by utility plant accounts (301 to 348) the following: (1) the book cost of common utility plant; (2) the allocation of such cost to the respective departments using the common utility plant; and (3) the basis of the allocation.

D. The accumulated provision for depreciation and amortization of the utility shall be segregated so as to show the amount applicable to the property classified as common utility plant.

E. The expenses of operation, maintenance, rent, depreciation and amortization of common utility plant shall be recorded in the accounts prescribed herein but designated as common expenses, and the allocation of such expenses to the departments using the common utility plant shall be supported in such manner as to reflect readily the basis of allocation used.

610.01(e)(14) Utility Plant - Multiple Use

Land, rights of way and structures used jointly for several functions, such as supply, and transmission and distribution purposes, shall be classified according to the major use thereof.

610.01(e)(15) Utility Plant - Plant Account Matrix

A. Class A and Class B utilities (as defined in General Instruction 610.01(a)) are required to subdivide the plant accounts into "functional" operations. The subaccounts are to be designated by adding a suffix of one decimal place to the three digit account number.

B. The "functional" operations for the water system are listed below along with the designated suffix:

610.01 GENERAL INSTRUCTIONS

1. Intangible Plant
2. Source of Supply and Pumping Plant
3. Water Treatment Plant
4. Transmission and Distribution Plant
5. General Plant

610.01(e)(16) Utility Plant - Account Information

A. As of the date a company becomes subject to this system of accounts, it shall prepare opening entries in accordance with the following provisions:

1. All utility plant shall be recorded at original cost.
2. The accounts prescribed herein shall be opened by transferring thereto the balances carried in the accounts previously maintained. The company may make any such subdivisions, reclassifications or consolidations of existing balances as are necessary to meet the requirements of this system of accounts.
3. The company shall prepare and keep supporting records with summary statements showing:
 - (a) the closing balances in each account carried on the books prior to the adoption of this system of accounts;
 - (b) the journal entries to effect the transfer of those balances to the accounts prescribed herein, arranging such entries so as to show for each account or subdivision thereof from what account and to what account each amount was transferred; and
 - (c) the resultant opening balance of each account under this system of accounts.

610.01(e)(17) Utility Plant - Depreciation

A. Depreciation charges shall be computed using the straight-line method (see Glossary). Composite depreciation rates may be used with prior Commission approval.

B. When the straight-line method is used, the rates shall be reviewed periodically and adjusted with Commission approval so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service.

C. The utility shall keep such records of property and property retirements as will reflect the service life of property which has been retired and aid in estimating probable service life by mortality, turnover, or other appropriate methods;

and also such records as will reflect the percentage of salvage value and cost of removal for property retired from each account, or subdivision thereof, for depreciable utility plant.

D. When an item of plant is retired, account 108 - Accumulated Depreciation and account 110 - Accumulated Amortization shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, except as provided in section 610.01(e)(10)(C). Account 108 - Accumulated Depreciation shall also be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired.

E. In rare instances, the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph C above. In such instances, the Commission may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred to account 186 - Miscellaneous Deferred Debits and amortized in future periods. Such accounting treatment shall only be used when specifically authorized or directed by the Commission.

F. It is required that all utilities maintain a separate accumulated depreciation subaccount for each depreciable plant account.

610.01(e)(18) Utility Plant - Contributions in Aid of Construction

A. Nonrefundable contributions of cash or plant facilities donated to the water utility to assist it in constructing, extending or relocating its water facilities shall be credited to account 271 - Contributions in Aid of Construction (See account 271 for description of items allowable in this account).

B. Balances in this account representing contributions of depreciable plant shall be amortized using the contra account 272 - Accumulated Amortization of Contributions in Aid of Construction. The corresponding credit shall be to account 405 - Amortization of Contributions in Aid of Construction.

C. The balance in this account representing contributions of nondepreciable plant (ie: land) shall remain unchanged until such time as the property is sold or otherwise retired. At the time of retirement of nondepreciable contributed plant, its cost shall be credited to the appropriate plant account and charged to account 271.

610.01(e)(19) Utility Plant - Work Order System Required

A. Each utility shall record all construction and retirements of utility plant by means of work orders or job orders. Separate work orders shall be opened for additions to and retirements of utility plant or the retirements may be included

610.01 GENERAL INSTRUCTIONS

with the construction work order, provided, however, that all items relating to the retirements shall be kept separate from those relating to construction and further provided that any maintenance costs involved in the work shall likewise be segregated.

B. Each utility shall keep its work order system so as to show the nature of each addition to or retirement of utility plant: exact location of the work performed; whether the work is new construction, reconstruction or retirement; total cost; source or sources of costs, and the utility plant account or accounts to which charged or credited. Work orders covering jobs of short duration shall be cleared monthly. Blanket work orders may be used to record a relatively large number of minor additions of a similar nature. For the purposes of this classification, the term "reconstruction" shall be deemed to refer to any work wherein items previously charged to Utility Plant account are moved, removed, demolished, or abandoned, either in whole or in part, in conjunction with new construction.

C. Each work order shall be subdivided in such manner as will show separately the details of each unit to be entered in the Continuing Property Record.

D. On all reconstruction work orders the cost of removing or demolishing previous construction, and the salvage realized from material removed, shall be shown as separate items. These items shall be transferred to account 108 Accumulated Depreciation at the time the work order is closed out from account 105 - Construction Work in Progress to the appropriate Utility Plant account. The entry recording the retirement of property removed, demolished or abandoned shall be made or referred to on the work order under which the removal took place.

E. Individual items of equipment, which are not related to other items of equipment purchased at about the same time and do not have installation charges may be charged directly to the applicable Utility Plant account.

610.01(e)(20) Utility Plant - Continuing Property Records

A. Each utility shall maintain Continuing Property Records of operating property used in utility operations, subdivided so as to show separately the operating property at each location, such as each production plant and the distribution equipment, exclusive of meters, located in each city or town. Customers' meters may be displayed separately by cities and towns or may be shown for the utility as a whole; but in the latter event, a separate statistical record shall be kept designed to show the number of each class of meters in service in each city or town and the number held in reserve. Such statistical record shall agree as to the number of each class of meters, with the corresponding total number carried in the Continuing Property Records and shall be verified at least once a year.

610.01 GENERAL INSTRUCTIONS

B. The Continuing Property Records shall be arranged in conformity with the Utility Plant accounts and shall show a description of the property and the cost thereof to the accounting utility, except that for such portion of the property, the cost of which can not be determined without excessive expense, the cost shall be estimated.

C. In the event of future additions, and so far as reasonably feasible for present property, there shall be shown (either in such Continuing Property Records or in other records referred to therein) for each item of one or more units, the date of acquisition (or construction by the accounting utility or any predecessor thereof), the date when first placed in service, the location of the property, and in the case of movable items, the manufacturer's name and any number or other identifying mark imprinted thereon, the company number or designation, and such other particulars as may be necessary for complete identification.

D. Where the price paid by the accounting utility for operating property acquired from a predecessor public utility differs from the cost of such property when first dedicated to the public use, the cost to the accounting utility shall be determined by first establishing the original cost of each unit or such property and thereafter allocating the difference to the various accounts and units of property upon some reasonable basis. Where such allocations are necessary, the accounting utility shall maintain at all times a complete record of the amounts allocated to each account and unit and the basis of such allocations so that the original cost of such units of property will be available as a part of the Continuing Property Records.

E. In the case of large items, such as structures, boiler plant equipment, and production equipment, the cost of each unit or group of units comprising a piece of property acquired as a whole shall be determined when feasible; otherwise it shall be estimated.

F. There shall be no revisions made in the list of units as originally set in the Continuing Property Records and verified with Commission Engineering without the approval of the Commission, except as a normal result of the disposal of the property.

610.01(f) Operating Income - General

610.01(f)(1) Operating Income - Income Taxes

A. Current income tax provision

1. The utility shall initially debit account 409 - Income Taxes and credit account 236 - Accrued Taxes to record its estimated current income tax liability. As the exact amounts of taxes become known, the current tax accruals shall be adjusted by debits or credits to these accounts unless such adjustments are properly included in account

610.03 WATER UTILITY PLANT ACCOUNTS

	Class A Account	Class B Account	Class C Account
610.03(a) Intangible Plant			
Organization	301	301	301
Organization - Intangible Plant	301.1	301.1	
Franchises	302	302	302
Franchises - Intangible Plant	302.1	302.1	
610.03(b) Land and Land Rights			
Land and Land Rights	303	303	303
Land and Land Rights - Source of Supply and Pumping Plant	303.2	303.2	
Land and Land Rights - Water Treatment Plant	303.3	303.3	
Land and Land Rights - Transmission and Distribution Plant	303.4	303.4	
Land and Land Rights - General Plant	303.5	303.5	
610.03(c) Structures and Improvements			
Structures and Improvements	304	304	304
Structures and Improvements - Source of Supply and Pumping Plant	304.2	304.2	
Structures and Improvements - Water Treatment Plant	304.3	304.3	
Structures and Improvements - Transmission and Distribution Plant	304.4	304.4	
Structures and Improvements - General Plant	304.5	304.5	
610.03(d) Collecting and Impounding Reservoirs			
Collecting and Impounding Reservoirs	305	305	305
Collecting and Impounding Reservoirs - Source of Supply and Pumping Plant	305.2	305.2	
610.03(e) Lake, River and Other Intakes			
Lake, River and Other Intakes	306	306	306
Lake, River and Other Intakes - Source of Supply and Pumping Plant	306.2	306.2	
610.03(f) Wells and Springs			
Wells and Springs	307	307	307

610.03 INSTRUCTIONS FOR WATER UTILITY PLANT ACCOUNTS

Wells and Springs - Source of Supply and Pumping Plant	307.2	307.2	
610.03(g) Infiltration Galleries and Tunnels			
Infiltration Galleries and Tunnels	308	308	308
Infiltration Galleries and Tunnels - Source of Supply and Pumping Plant	308.2	308.2	
610.03(h) Supply Mains			
Supply Mains	309	309	309
Supply Mains - Source of Supply and Pumping Plant	309.2	309.2	
610.03(i) Power Generation Equipment			
Power Generation Equipment	310	310	310
Power Generation Equipment - Source of Supply and Pumping Plant	310.2	310.2	
610.03(j) Pumping Equipment			
Pumping Equipment	311	311	311
Pumping Equipment - Source of Supply and Pumping Plant	311.2	311.2	
610.03(k) Water Treatment Equipment			
Water Treatment Equipment	320	320	320
Water Treatment Equipment - Water Treatment Plant	320.3	320.3	
610.03(l) Distribution Reservoirs and Standpipes			
Distribution Reservoirs and Standpipes	330	330	330
Distribution Reservoirs and Standpipes - Transmission and Distribution Plant	330.4	330.4	
610.03(m) Transmission and Distribution Mains			
Transmission and Distribution Mains	331	331	331
Transmission and Distribution Mains - Transmission and Distribution Plant	331.4	331.4	
610.03(n) Services			
Services	333	333	333

610.03 INSTRUCTIONS FOR WATER UTILITY PLANT ACCOUNTS

Services - Transmission and Distribution Plant	333.4	333.4	
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610.03(o) Meters and Meter Installations

Meters and Meter Installations	334	334	334
Meters and Meter Installations - Transmission and Distribution Plant	334.4	334.4	

610.03(p) Hydrants

Hydrants	335	335	335
Hydrants - Transmission and Distribution Plant	335.4	335.4	

610.03(q) Other Plant and Miscellaneous Equipment

Other Plant and Miscellaneous Equipment	339	339	339
Other Plant and Miscellaneous Equipment - Intangible Plant	339.1	339.1	
Other Plant and Miscellaneous Equipment - Source of Supply and Pumping Plant	339.2	339.2	
Other Plant and Miscellaneous Equipment - Water Treatment Plant	339.3	339.3	
Other Plant and Miscellaneous Equipment - Transmission and Distribution Plant	339.4	339.4	

610.03(r) Office Furniture and Equipment

Office Furniture and Equipment	340	340	340
Office Furniture and Equipment - General Plant	340.5	340.5	

610.03(s) Transportation Equipment

Transportation Equipment	341	341	341
Transportation Equipment - General Plant	341.5	341.5	

610.03(t) Stores Equipment

Stores Equipment	342	342	
Stores Equipment - General Plant	342.5	342.5	

610.03 INSTRUCTIONS FOR WATER UTILITY PLANT ACCOUNTS

610.03(u) Tools, Shop and Garage Equipment

Tools, Shop and Garage Equipment	343	343	343
Tools, Shop and Garage Equipment - General Plant	343.5	343.5	

610.03(v) Laboratory Equipment

Laboratory Equipment	344	344	
Laboratory Equipment - General Plant	344.5	344.5	

610.03(w) Power Operated Equipment

Power Operated Equipment	345	345	345
Power Operated Equipment - General Plant	345.5	345.5	

610.03(x) Communication Equipment

Communication Equipment	346	346	
Communication Equipment - General Plant	346.5	346.5	

610.03(y) Computer Equipment

Computer Equipment	347	347	
Computer Equipment - General Plant	347.5	347.5	

610.03(z) Other Plant and Miscellaneous Equipment

Other Plant and Miscellaneous Equipment	348	348	348
Other Plant and Miscellaneous Equipment - General Plant	348.5	348.5	

610.03 INSTRUCTIONS FOR WATER UTILITY PLANT ACCOUNTS

The water utility plant accounts have been designed utilizing an account matrix for Class A and Class B utilities. The matrix employs a list of object accounts which in effect act as control accounts. The object accounts are further segregated by the matrix into classifications by functions or subaccounts. (See Accounting Instruction 610.01(e)(15).) Class C utility are required to use only the object accounts for posting accounts.

301 Organization

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business. A sample of items to be included in this account is listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for incorporation.
3. Fees and expenses for mergers or consolidations.
4. Office expenses incident to organizing the utility.
5. Stock and minute books and corporate seal.

Note A: – This account shall not include any discounts upon securities issued or assumed nor shall it include any costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance and sale of capital stock.

Note B: – Exclude from this account and include in the appropriate expense account the cost of preparing and filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off. Where charges are made to this account for expenses incurred in mergers, consolidations or reorganizations, amounts previously included herein or in similar accounts in the books of the companies concerned shall be excluded from this account.

302 Franchises

A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents or certificates of permission and approval, including expenses of organizing and merging separate corporations, where statutes require them solely for the purpose of acquiring a franchise.

B. If a franchise or certificate is acquired by assignment, the charge to this account in respect thereof shall not exceed the amount paid therefor by the utility to the assignor nor shall it exceed the amount paid by the original grantee.

F-8 UTILITY PLANT IN SERVICE

(In addition to Account 101, Utility Plant in Service, this schedule includes Account 104, Utility Plant Purchased or Sold and Account 105, Completed Construction Not Classified)

- 1 Report below the original cost of water plant in service according to prescribed accounts
- 2 do not include as adjustments, corrections of additions and retirements for the current or the preceding year. Such items should be included in column (c) or (f) as appropriate.
3. Credit adjustments of plant accounts should be enclosed in parentheses to indicate the negative effect of such amounts.
4. Reclassification or transfers within utility plant accounts should be shown in column (f). Include also in column (f) the addition or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 104 Utility Plant Purchased or sold. In showing the clearance of Account 104, include in column (c) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc. and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

Note A. Class A and Class B utilities as defined in USOA for Water Utilities are required to subdivide the plant accounts into functional operations. The subaccounts are designated by adding a suffix of one decimal place to the three digit account number. The functional operations for the water system along with the designated suffix are Infiltration Plant 1; Source of Supply and Pumping Plant 2; Water Treatment Plant 3; Transmission and Distribution Plant 4; and General Plant 5.

Line No.	Account Title (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1	INTANGIBLE PLANT .1						
2	301 Organization	25,557	-		(1,343)		24,214
3	302 Franchise	162,374	-		(11,206)		151,168
4	309 Other Plant and Misc. Equip.	2,901			(1,450)		1,451
5	Total Intangible Plant	\$ 180,832	\$ -	\$ -	\$ (13,999)	\$ -	\$ 176,833
6	SOURCE OF SUPPLY AND PUMPING PLANT .2						
7	303 Land and Land Rights	583,229	88		(884)		582,433
8	304 Structures and Improvements	13,123,992	1,203,115	1,210	(73,633)	(86,416)	14,165,640
9	305 Collecting and Impounding Reservoirs	2,213,304					2,213,384
10	306 Lake, River and Other Intakes						
11	307 Wells and Springs	654,775	22,742				677,517
12	308 Infiltration Galleries and Tunnels						
13	308 Supply Mains						
14	310 Power Generation Equipment						
15	311 Pumping Equipment	2,916,346	47,088				2,963,434
16	309 Other Plant and Miscellaneous						
17	Total Supply and Pumping Plant	\$ 19,491,726	\$ 1,273,033	\$ 1,210	\$ (74,517)	\$ (86,416)	\$ 20,602,616
18	WATER TREATMENT PLANT .3						
19	303 Land and Land Rights						
20	304 Structures and Improvements	5,558,790	110,611				5,669,401
21	320 Water Treatment Equipment						
22	309 Other Plant and Misc. Equip.						
23	Total Water Treatment Plant	\$ 5,558,790	\$ 110,611	\$ -	\$ -	\$ -	\$ 5,669,401

F-8 UTILITY PLANT IN SERVICE (Continued)

Line No.	Account Title (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
24	TRANSMISSION & DISTRIBUTION .4						
25	303 Land and Land Rights	5,651,217					5,651,217
26	304 Structures and Improvements	43,176,090	1,798,892	20,132	(4,121)		44,950,729
27	330 Distribution Reservoirs and Standpipes	7,683,393	462,901	9,877			8,136,417
28	331 Transmission Reservoirs and Standpipes	3,458,802	252,398	120,192	(219)		3,590,789
29	333 Services	2,737,042	128,009	129	(402)		2,864,520
30	334 Meters and Meter Installations	37,305	-				37,305
31	335 Hydrants						
32	339 Other Plant and Misc. Equip.						
33	Total Transmission and Distribution	\$ 62,743,849	\$ 2,642,200	\$ 150,330	\$ (4,742)	\$ -	\$ 65,230,977
34	GENERAL PLANT .5						
35	303 Land and Land Rights						
36	304 Structures and Improvements	386,758	209,149	186,650		(14,195)	395,062
37	340 Office Furniture and Equipment	1,580,825	338,602	100,979			1,818,448
38	341 Transportation Equipment						
39	342 Stores Equipment						
40	343 Tools, Shop and Garage Equipment	53,305	-				53,305
41	344 Laboratory Equipment	119,503	13,432				132,935
42	345 Power Operated Equipment						
43	346 Communication Equipment	444,179	195,512	10,235			629,456
44	347 Miscellaneous Equipment	2,836,616	337,039	225,782			2,947,873
45	348 Other Tangible Equipment	363,954	64,471	374		(1,150)	426,901
46	Total General Equipment	\$ 5,785,140	\$ 1,158,205	\$ 524,020	\$ -	\$ (15,345)	\$ 6,403,980
47	Total (Accounts 101 and 106)	\$ 93,770,337	\$ 5,184,049	\$ 675,560	\$ (93,258)	\$ (101,761)	\$ 98,083,807
48	104 Utility Plant Purchased or Sold**						
49	Total Utility Plant in Service	\$ 93,770,337	\$ 5,184,049	\$ 675,560	\$ (93,258)	\$ (101,761)	\$ 98,083,807

Exhibit D

Earl M. Robinson
President

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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



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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

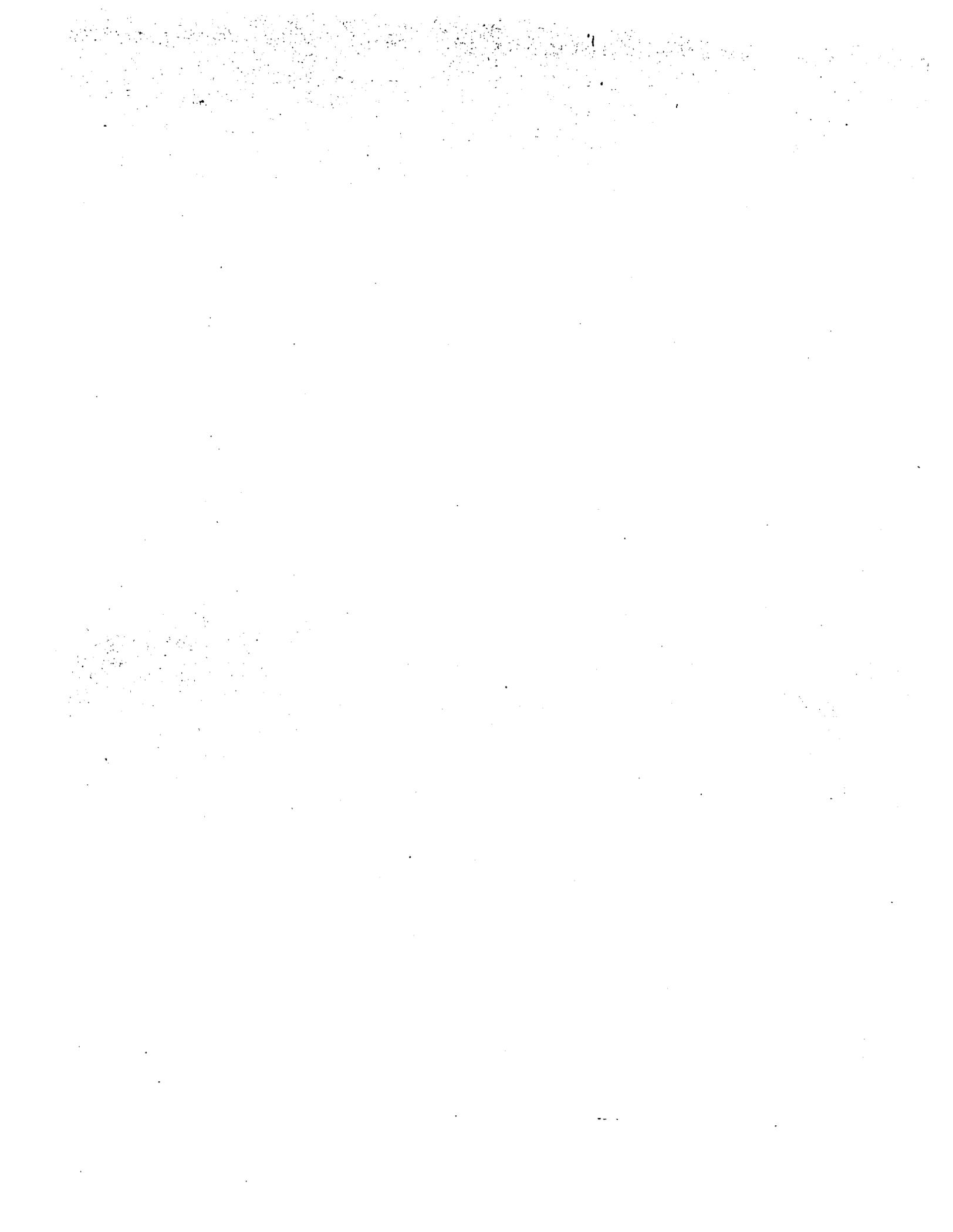
depreciation rates for illustrative purposes only. The Composite Depreciation Rate should not be applied to the total Company investment inasmuch as the non-proportional change in plant investment as a result of property additions or retirements would render the composite rate inappropriate. As previously 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)	% (e)	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 Depreciation Rate (l)
335.00	Hydrants	1,950,459	(195,046)	-10	2,145,505	373,587	1,771,918	55-R3	42.6	41,594	2.13%
335.10	Hydrants - Paving	5,573	(557)	-10	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	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	4,219	136,428	125,310	11,118	13-L3	6.5	1,710	1.22%
340.20	Computer Equipment	724,258	0	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	99,987	566,593	422,212	144,381	8-R3	4.0	36,095	5.41%
343	Tools, & Shop & Garage Equipment	10,841	0	0	10,841	4,543	6,298	15-R4	7.9	797	7.35%
344	Laboratory Equipment	77,759	0	0	77,759	44,667	33,092	20-R3	11.9	2,781	3.58%
346	Communication Equipment	67,600	0	0	67,600	45,549	22,051	20-R2	14.0	1,575	2.33%
348	Miscellaneous Equipment	287,528	0	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

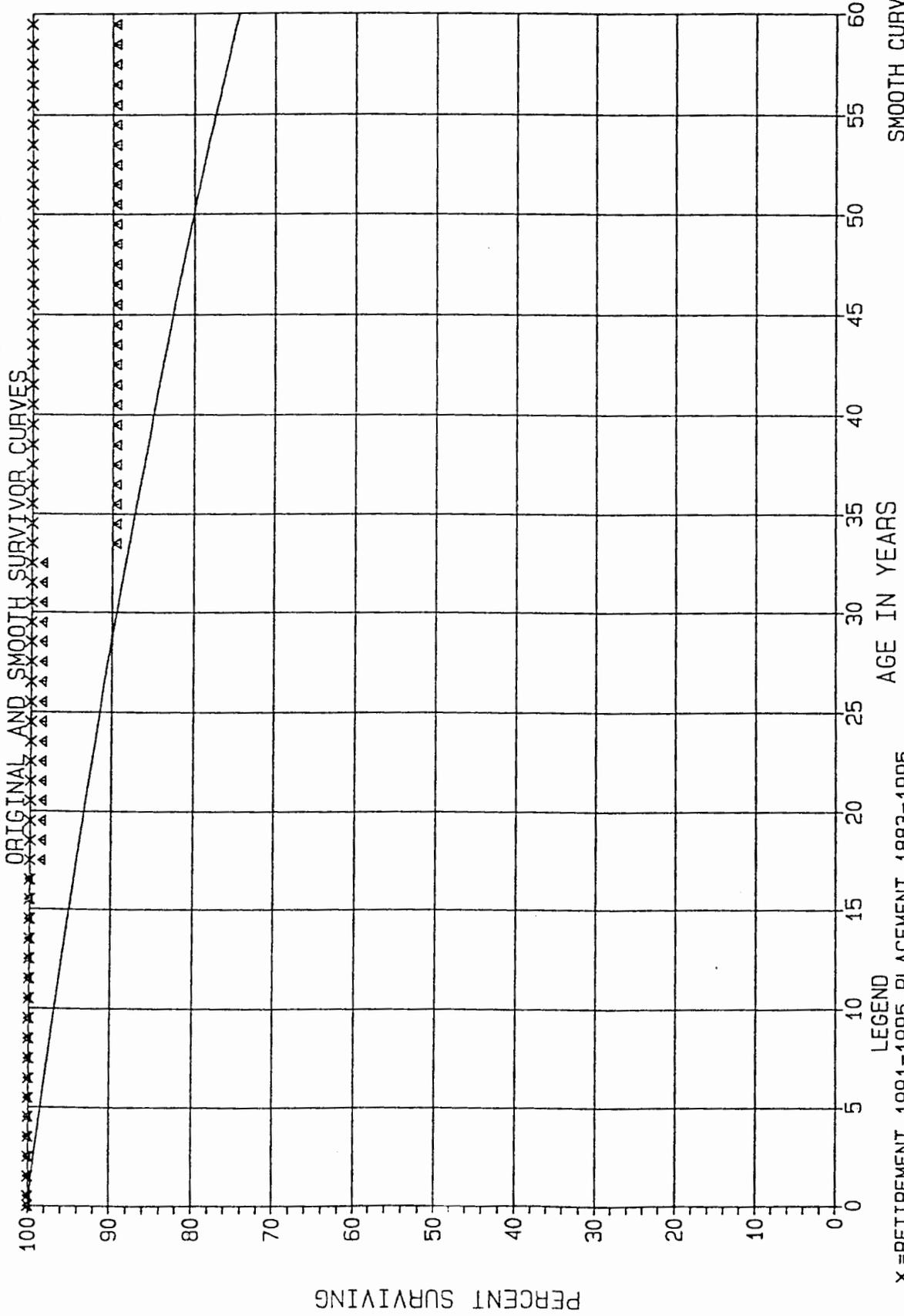
The Company's current investment in this category of property is \$6,207,285, has attained an average age of 14.2 years, and is presently depreciated utilizing an implicit annual depreciation rate of 1.97 percent. Of the Company's current surviving investment, a large majority was placed into service 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



SMOOTH CURVE
(IOWA 90 R1)

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

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

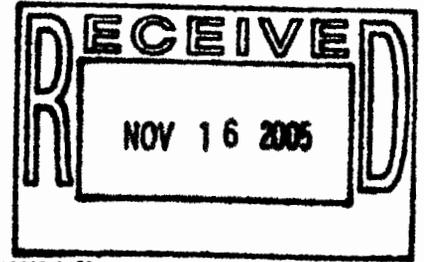
Exhibit E

McLane

McLane, Graf,
Raulerson &
Middleton

Professional Association

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CONCORD
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November 15, 2005

By Electronic and First Class Mail

Justin Richardson
Upton & Hatfield, LLP
10 Centre Street
P.O. Box 1090
Concord, NH 03302-1090

Re: Pennichuck Water Works Continuing Property Records

Dear Justin:

I am writing in follow up to our telephone conversation last Thursday regarding Pennichuck Water Works, Inc.'s continuing property records ("CPR's"). As I have indicated in the past, in the ordinary course of its business, Pennichuck Water Works does not maintain its CPR's by the sub-accounts that you seek.

You inquired about AUS Consultant's 1996 depreciation study of Pennichuck Water Works, suggesting that it contained sub-account information. I have reviewed that depreciation study and determined that the use of an additional decimal point after account numbers in the study bears no correlation to the sub-account designations specified in the Chart of Accounts. While the 1996 study categorizes Pennichuck Water Works' property into the five functional areas identified in the sub-accounts (e.g. source of supply, transmission and distribution, etc.), my understanding is that AUS created this categorization on its own from the Company's CPR's. The Company does not have a copy of any underlying categorization that may have been created by AUS to generate these schedules. I would note that the information used by AUS to categorize the assets – the Company's continuing property records - has also been provided to Nashua in this case. Between the CPR's and information provided to Nashua in the data room, we believe that Nashua can determine the functional category of each asset based on the five functional categories identified in the instructions to the Chart of Accounts.

As we also mentioned last week, Nashua should be aware that the acquisition date and cost reflected on the CPR's does not in some cases match the actual acquisition date or the original cost of each asset. Some of the Pennichuck assets date to the late 1800's, but the

Justin Richardson
November 15, 2005
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computer program originally used to generate the CPR's did not accept a date prior to 1901. Also, in some cases with slowly depreciating assets, a more recent acquisition date may appear on the CPR's so that the CPR computer application could correctly calculate the years of depreciation remaining for the asset in question. Finally for mass account items, the acquisition date and the starting (original) balance do not necessarily reflect the original cost or acquisition date of the assets, since both entries are adjusted to reflect retirements and additions. These mass account items also at times lump together as a single asset different sizes and composition of material, such as pipe. As you know, Pennichuck Water Works has also provided Nashua with its engineering records listing the acquisition dates for mains, pipes, meters, hydrants, and services segregated by asset type and quantity. These acquisition dates are correct, and so the engineering records, rather than the CPR's, should be relied on for this purpose.

I hope this explanation is helpful.

Very truly yours,



Sarah B. Knowlton

cc: Donald L. Correll, CEO & President
Thomas J. Donovan, Esquire
Steven V. Camerino, Esquire