

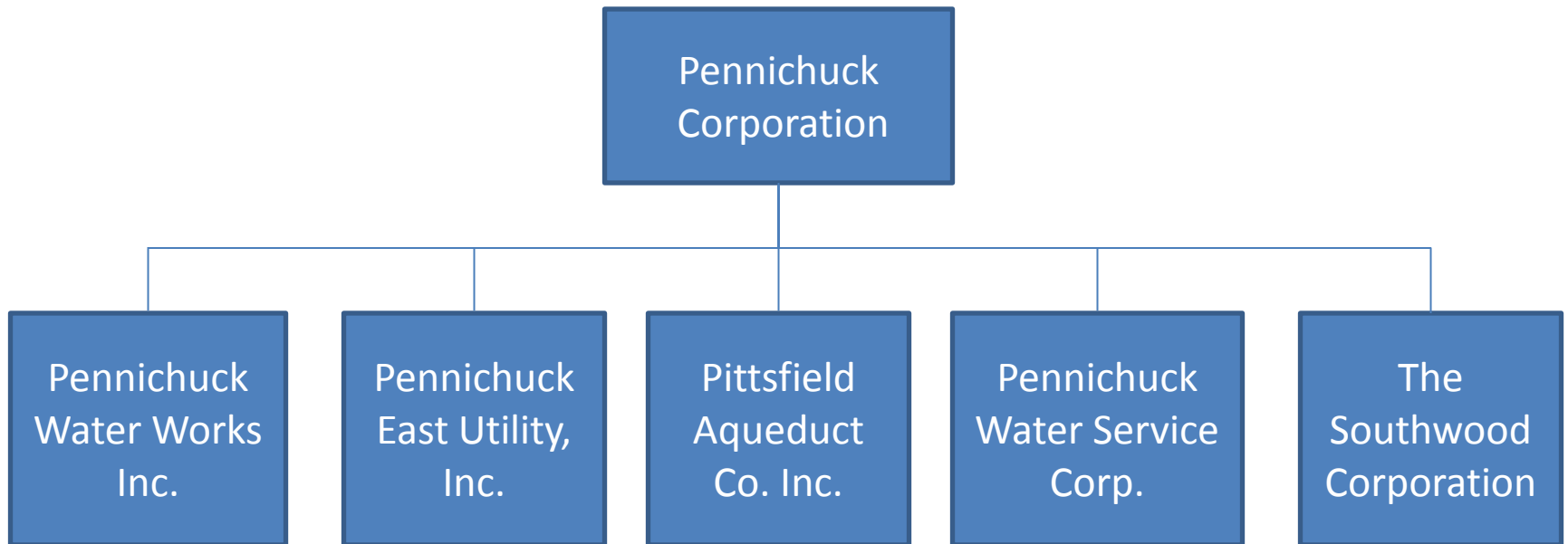
City of Nashua, New Hampshire

Proposed Acquisition of Pennichuck
Corporation

What is the purpose of this acquisition?

- To secure and protect our water supply and watershed land for future generations
- To continue to provide highest quality water and water services
- To stabilize water rates at reasonable levels

What is the City buying?



What will it cost?

- \$29.00 per share or \$138 million to acquire all of the shares of Pennichuck Corporation
- Assume current debt of about \$60 million
- Total purchase price of \$198 million

What will stay the same?

- Pennichuck Corporation and its subsidiaries will continue to exist as separate legal entities.
- The three water utility companies will continue to be regulated by the New Hampshire Public Utilities Commission.
- All operating employees will remain with the company.

What will change?

- Pennichuck Corporation will no longer be a public company
- Corporate management, which is mostly responsible for public company matters, will be reduced
- Other costs required to be a public company will be eliminated

What else will change?

- Today, Pennichuck is required to operate the business for the financial benefit of its shareholders.
- Under City ownership the company will operate for the benefit of water customers and the residents of communities served by Pennichuck

How does this compare with Eminent Domain?

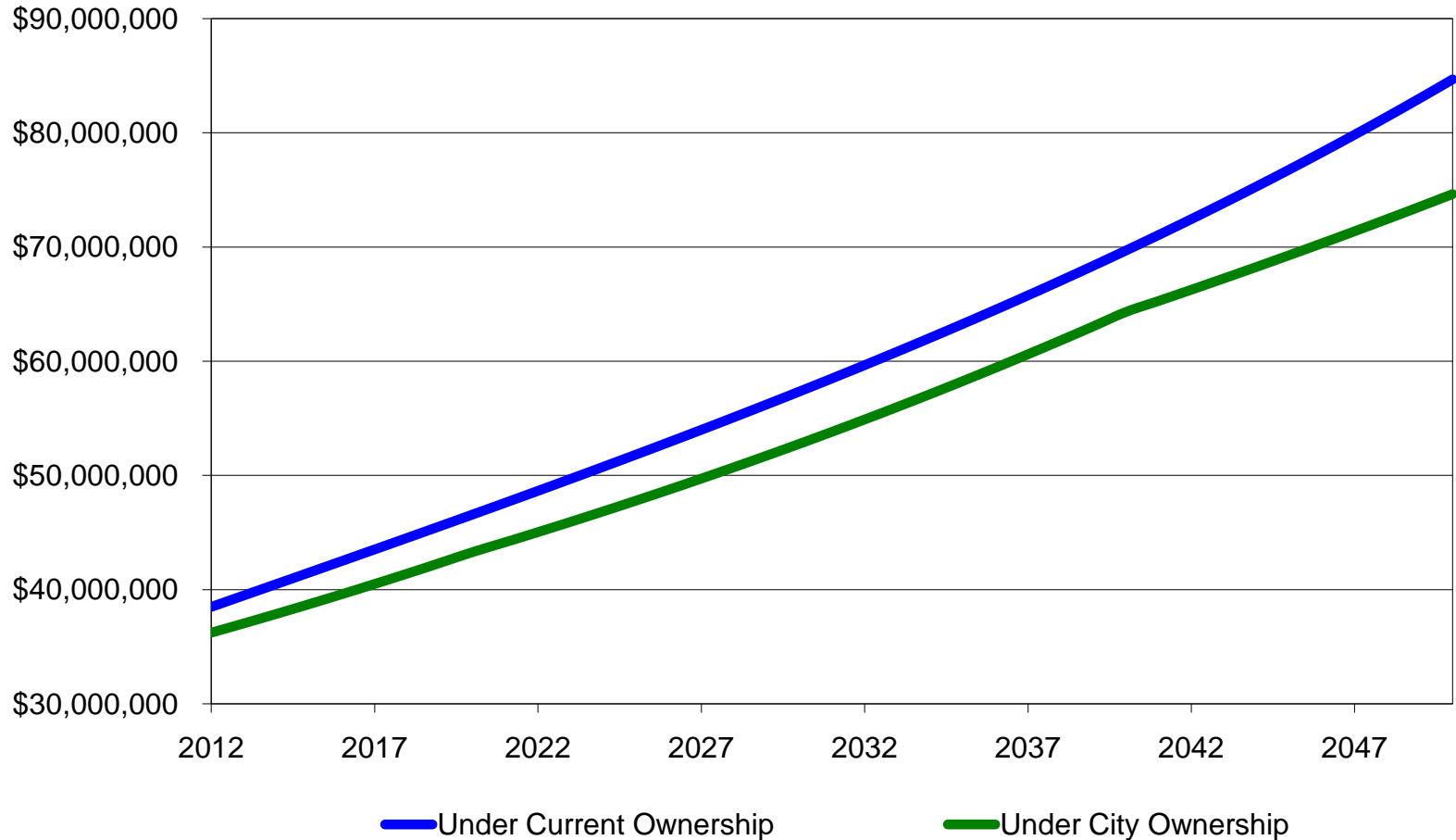
- Under eminent domain, Nashua would have paid more money (\$243 million including the mitigation fund) for only part of the company
- Nashua would not have owned the watershed land
- Nashua would have needed to bring in a third party operator to run the utility
- There would have been greater uncertainty for employees and some customers

Will rates be lower under City ownership?

- Future rates depend on a number of important factors: water rates in effect when the transaction closes, the long term rate of inflation, capital investment plans, debt interest costs, etc.
- We have made reasonable assumptions about all of those factors: the PUC approves the current rate request from Pennichuck, 3% inflation long term, \$7.7 million of capital investment per year, 6.5% interest rate on debt issued by the City, etc.

Given all that, what will future rates look like?

Total Projected Revenue Requirements, 2012 to 2050



How will the company be run?

- The Company will operate with an independent Board of Directors with between 7 and 13 members
- After the first two years, members of governing bodies of communities served by Pennichuck will not be eligible to serve on the Board
- The Board of Directors will be comprised of Nashua and non Nashua representatives

How will the transaction be financed?

- The City will need to raise about \$150 million to pay for the shares and associated transaction costs, and to create a rate stabilization fund
- The City may raise an additional \$5 million to refinance some existing debt
- The current plan is for Nashua to issue 30-year, taxable, general obligation debt
- Pennichuck revenues will cover all debt costs.

What happens next?

- Following public discussions, the Board of Aldermen will decide whether or not to authorize issuing bonds
- If we proceed, the transaction must be approved by the New Hampshire Public Utilities Commission
- Following approval, 2/3 of Pennichuck shareholders must vote in favor of the transaction
- Finally, the City must be able to obtain financing at reasonable rates

Other questions and answers from the audience