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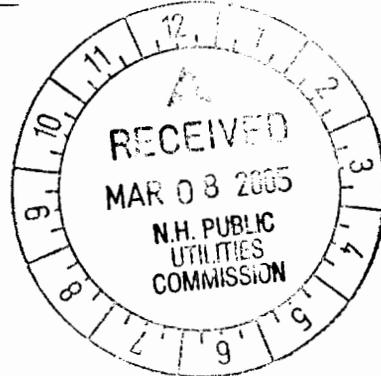
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March 8, 2005

OFFICES IN:
MANCHESTER
CONCORD
PORTSMOUTH

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 N. Fruit Street, Suite 10
Concord, NH 03301



Re: DW 04-048; City of Nashua—Taking of Pennichuck Water Works, Inc.

Dear Ms. Howland:

In accordance with Commission Order No. 24,425, I am writing on behalf of Pennichuck Water Works, Inc. to set forth the company's position regarding whether this proceeding should be bifurcated to address the public interest and valuation issues. After careful consideration and because of its desire to move forward expeditiously and avoid additional procedural battles that might further delay establishment of a schedule for this case, Pennichuck has decided not to seek bifurcation of the issues. Instead, Pennichuck agrees with those parties who support establishing a schedule in which the Commission conducts a single hearing regarding all issues at one time.

Pennichuck had previously considered asking for bifurcation in order to ensure that the issue of valuation (i.e., just compensation for the proposed taking) did not become improperly tied to the issue of the rate impact of that valuation. In particular, although Pennichuck strongly believes that Nashua's proposed taking is *not* in the public interest, if the Commission determines otherwise, Pennichuck must be awarded full and fair compensation for any property taken and the damage resulting from such a taking, notwithstanding the financial burden that such a determination might ultimately pose on the city or, indirectly, on customers. The company is confident that the Commission can faithfully execute its task in accordance with all legal requirements regardless of whether the proceeding is bifurcated, and therefore has decided to support establishing a single schedule for the entire case.

Pennichuck stands ready to meet with the Commission staff and the other parties to this proceeding to finalize a proposed procedural schedule for this case as soon as possible. Pennichuck anticipates that, consistent with Commission Order No. 24,379 issued on October 1, 2004 as well as the Commission's procedural rules and past practice, discovery will begin

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promptly on Nashua's prefiled testimony addressing the public interest issue. In accordance with the Commission's October order, Pennichuck is prepared to submit to discovery from Nashua at the same time to enable Nashua to finalize its valuation case. Once Nashua has submitted its valuation case, Pennichuck would expect to be able to conduct discovery on that filing, following which Pennichuck will be prepared to submit its testimony regarding both the public interest and valuation issues. Pennichuck believes that it will be necessary to conduct depositions of various potential witnesses and is prepared to attempt to reach agreement with Nashua regarding the identity of those witnesses and time and place of the depositions in order to minimize the number of subpoena requests that may need to be filed with the Commission. There are numerous other procedural and scheduling issues that Pennichuck anticipates needing to work out with the Commission's staff and other parties, including whether and when any other proponents of Nashua's proposed taking will file testimony, coordination by parties taking similar positions and location of a document room.

Given the number of parties in this proceeding and the difficulty that the parties have had to date in coming to agreement on various issues, Pennichuck anticipates that it is likely that there will be procedural issues that are not completely resolved prior to or at the April 8 technical session that the Commission has scheduled. Pennichuck is concerned that if it is determined on April 8 that oral arguments are needed to address differences on procedural matters, the scheduling of such a hearing will further delay this case. In order to avoid such a delay, Pennichuck requests that the Commission notify the parties that the Commission will be prepared to take oral arguments on April 8 at the conclusion of the technical session scheduled for that date in the event that any issues remain unresolved.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Camerino", written in a cursive style.

Steven V. Camerino

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FILING INSTRUCTIONS:

WITH THE EXCEPTION OF DISCOVERY (SEE NEXT PAGE) FILE 1 ORIGINAL & COVER LETTER, PLUS 8 COPIES (INCLUDING COVER LETTER) TO:

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