

EXHIBIT H



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SERVING NASHUA AND SOUTHERN NEW HAMPSHIRE

Questions & Answers About Tuesday's Vote

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By Brad Leighton and Andrew Nelson

Why do the mayor and Board of Aldermen want Pennichuck Corp. to become a public utility?

City leaders believe a publicly owned water utility will result in lower rates in the long term and will allow residents to have a greater say in the decisions and management of the drinking water.

How will the tax rate be affected?

The city plans to buy the company with so-called revenue bonds, not the typical general obligation bonds. Revenue bonds would be paid with the revenue from Pennichuck customers.

In short, when people pay their water bill, they will be paying back the borrowed money.

What about water rates?

Rates are expected to increase in the future whether under public ownership or as an investor-owned company.

City consultants determined that rate increases would likely be less under public ownership.

However, company officials contest the consultant's numbers. They argue that since the city would have to pay back the initial purchase price and they are proposing some \$20 million more in capital expenditures than the company, those costs will be passed on to the ratepayers.

What are the advantages of Philadelphia Suburban Corp. acquiring Pennichuck?

Company officials say Philadelphia Suburban is larger, so it can buy water utility supplies such as mains, meters and hydrants in bulk, lowering the per-unit cost.

They say overhead costs, such as water-testing laboratories, would also be spread across a larger customer base. In addition, since the company must satisfy investors, it drives them to greater efficiency. For example, there tend to be fewer employees per customers in privately owned utilities.

Ballot question

This is the text of the ballot question voters will consider in a special election on Tuesday:

What happens if the question passes?

State law details how municipalities acquire an existing water system and its assets. The law governing the process is RSA 38.

Shall the resolution of the Board of Aldermen adopted on November 26, 2002 determining that it is

If the voters approve, the mayor must notify the utility in writing

within 30 days and identify the property the city intends to acquire.

Pennichuck will have 60 days from the receipt of the city's letter to reply.

If Pennichuck says it is not interested or does not respond in time, the city may proceed to acquire with the company after the Public Utilities Commission fixes a price.

If Pennichuck responds favorably, it must provide the city with the price, terms it is willing to accept and a schedule.

The city and Pennichuck may then negotiate a price acceptable to both parties.

If the city and Pennichuck fail to reach an agreement, either of the two parties can petition the PUC to determine if the acquisition is in the public interest, and to determine the price, terms and extent of property to be acquired by the city.

Within 90 days of the PUC decision, the Board of Aldermen must vote whether to accept the PUC decision.

How about if the question fails?

The state law governing the eminent domain process mandates that if voters reject the ballot question, the city must wait two years before asking for voter approval again.

What about the Pennichuck and Philadelphia Suburban merger?

The process continues at the PUC, as the state regulators consider the merits of the proposed merger.

Documents submitted by the city detail a list of restrictions it wants to see imposed if the merger goes through.

The restrictions include halting land sales, a 10-year guaranteed rate for customers, banning the construction of any water-bottling plant and eliminating the city's \$1.68 million annual hydrant rental fee.

Will the city operate the water utility? What about the regional water district?

Aldermen and the mayor have indicated a preference for a regional authority to oversee the company.

State law allows municipalities to enter into a joint operating agreement, but it does not allow a regional authority to borrow money.

Local state legislators plan to introduce a bill to change that.

The city, along with a dozen or more communities served by Pennichuck, will negotiate the makeup of the regional authority in the upcoming months.

expedient for the City to establish a water works system and, in order to establish such water works system, to acquire all or a portion of the water works system currently serving the inhabitants of the City and others be confirmed?

A **YES** vote means that the City may continue to pursue acquisition of the Pennichuck water system under the procedures outlined in RSA 38.

A **NO** vote means that the City may not acquire the water system now, and the issue may not be submitted to the voters again for at least two years.

In the interim, city leaders have said the city would hire the employees of Pennichuck to run the plant, under the auspices of the Board of Aldermen.

What is the breakdown of communities served by the system, i.e., how many towns are there and how many customers in each?

Learn More

[An archive of the Telegraph's coverage regarding the sale of Pennichuck Corp.](#)

Pennichuck Water Works, a subsidiary of Pennichuck Corp., provides service to Nashua, Amherst, Merrimack, Milford, Hollis, Bedford, Derry, Plaistow, Epping, Salem, Newmarket and Tyngsborough, Mass.

Pittsfield Aqueduct Co., a subsidiary of Pennichuck Corp., serves Pittsfield.

Pennichuck East Utility, a subsidiary of Pennichuck Corp., provides services to Litchfield, Londonderry, Windham, Pelham, Atkinson, Sandown, Raymond, Derry, Plaistow and Hooksett.

Nashua residents make 88.4 percent of Pennichuck connections, followed by Amherst (3.3 percent), Derry (3.3 percent) and Bedford (1.9 percent). The remaining communities make up less than 1 percent of the connections.

How will rates be set under Philadelphia Suburban ownership? How will they be set under municipal ownership?

Philadelphia Suburban would be required to petition the PUC for a rate increase, just like Pennichuck does now. A publicly owned water utility is exempt from PUC oversight, except if it charges different rates to customers in different communities.

The board that oversees the water utility, either the regional authority or the Board of Aldermen, would set the water rates.

If Philadelphia Suburban wants to buy Pennichuck for about \$95 million to \$100 million, why does the city need to bond \$167 million?

In short, it doesn't. The \$167 million figure comes from a recommended bond amount proposed by the city's consultants. It assumes a \$100 million acquisition cost, some \$37 million for capital expenditures, \$16.6 million to pay the first two years' interest on the bond, \$1.5 million in working capital, about \$2.4 million in bookkeeping and transaction costs and \$10 million in a stabilization fund.

The \$167 million figure could change. The acquisition cost could change, or the city may decide not to bond some of the other costs such as the \$16.6 million for the first two years' interest.

Will the result of Tuesday's vote have any bearing on the purchase issue before the PUC?

No.

If Tuesday's vote is successful but the PUC still approves the Philadelphia Suburban merger in February, can the city continue to negotiate with them, or initiate eminent domain proceedings? If the city had to buy or take the water company from Philadelphia Suburban, will it cost more?

The city can continue its bid to take the utility if the voters say so, regardless of whether the PUC approves the Philadelphia Suburban bid.

City officials seem to believe it would be more expensive to buy the system from Philadelphia Suburban, but PUC officials say this is not necessarily true.

How would Pennichuck stockholders be affected?

It's hard to say at this point. If the city's bid for the utility proceeds to an eminent domain taking, then the PUC would determine what price would fairly compensate the utility's shareholders.

How would Pennichuck executives and board members benefit financially if Philadelphia Suburban took over the system as opposed to the city taking over the system?

Aside from Pennichuck President Maurice Arel getting a place on the Philadelphia Suburban board, neither Pennichuck executives nor board members would benefit from a Philadelphia Suburban takeover as executives or board members. However, as shareholders in the company they would benefit the same as the other shareholders.

Some Pennichuck executives were given retention bonuses to keep them with the company while it is sold to Philadelphia Suburban, but those bonuses would remain no matter who eventually owns the system.

Would whoever owns the system be subject to the same federal water standards?

Yes. Federal law mandates that water quality adhere to the same safety standards whether under private ownership or public ownership.

What happened to the land holdings of Pennichuck? How much remains?

Pennichuck owned 1,990 acres of land at one time in the watershed, according to the consultants.

In 1983, the firm transferred 1,088 acres to Southwood, the real estate arm of the company. The company sold some 796 acres between 1984 and 2001. Of that land some 430 acres have been developed, company officials say. Other land was sold as conservation easements or to the city.

City leaders believe the remaining watershed in Nashua has been so developed that the city has to acquire land from Pennichuck Corp. to protect the drinking water.

Company officials say there are only 36 acres of Pennichuck land remaining in Nashua that could be developed, but there are 270 acres of developable land in Merrimack.

A few years ago the city negotiated with Pennichuck and its land development partner to acquire 250 acres in the northwest section of the city for \$2 million.

The city is pursuing the acquisition of an additional 101 acres at this time, and will continue to pursue acquisition of watershed land, city officials say.

WHERE TO VOTE

Here is a list of polling places for Tuesday's election. Polls will be open from 6 a.m.-8 p.m.

Ward 1: Broad Street School, 390 Broad St.

Ward 2: Charlotte Avenue School, 48 Charlotte Ave.

Ward 3: Amherst Street School, 71 Amherst St.

Ward 4: Ledge Street School, 139 Ledge St.

Ward 5: Main Dunstable Elementary School, 20 Whitford Road.

Ward 6: Fairgrounds Junior High School, 27 Cleveland St.

Ward 7: Dr. Norman W. Crisp School, 50 Arlington St.

Ward 8: Bicentennial Elementary School, 296 E. Dunstable Road.

Ward 9: New Searles Road School, 39 Shady Lane.

Company officials say there are 500 acres of "critical" watershed land in the company's hands, but that land is under conservation easements and will never be developed.

How would municipal ownership affect the system's relationship with Hudson, which owns its water utility but contracts with Pennichuck to run it?

City leaders are reviewing whether one of the assets of Pennichuck to be acquired is the service contract department.

What assets the city must acquire may eventually be determined by the PUC.

Would approving the ballot question on Tuesday compel the city to buy the water system?

It does not require the city to acquire the water system. It requires the mayor and the Board of Aldermen to proceed with the negotiations with Pennichuck executives or petition for the taking of the assets.

If I vote Yes on Tuesday, but later decide that the city is paying too much to acquire the system, what recourse do I have?

The final decision will rest with the Board of Aldermen after the negotiations are complete.

A resident can lobby the aldermen with phone calls, letters, speaking at aldermanic meetings and urging aldermen to vote against the bonding resolution.

Like all resolutions approving borrowing money, a public hearing by the Board of Aldermen would be required. It would take a two-thirds majority of the board to borrow money to pay for the company.

- Compiled by Telegraph staff reporters Brad Leighton and Andrew Nelson.