

EXHIBIT 18

George E. Sansoucy, P.E.,LLC

file 2070

From: "George E. Sansoucy, P.E.,LLC" <sansoucy@starband.net>
To: "Hersh, Katherine" <HershK@ci.nashua.nh.us>
Sent: Monday, May 24, 2004 8:29 AM
Attach: Response to Hollis questions.doc
Subject: Re: RESPONSE TO HOLLIS



athy,

kip's responses are attached. Let me know if you have any questions.
Thank you.

GEORGE E. SAN SOUCY, P. E., LLC

o-Ann

N 206585

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George E. Sansoucy, P.E.,LLC

From: "Hersh, Katherine" <HershK@ci.nashua.nh.us>
To: "George E. Sansoucy, P.E.,LLC" <sansoucy@starband.net>
Sent: Monday, May 24, 2004 8:43 AM
Attach: ATT00050.txt
Subject: Read: Re: RESPONSE TO HOLLIS

Your message

To: Hersh, Katherine
Subject: Re: RESPONSE TO HOLLIS
Sent: Mon, 24 May 2004 08:29:49 -0400

was read on Mon, 24 May 2004 08:43:38 -0400

N 206586

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What liabilities might the towns incur if the eminent domain process fell through. Can Pennichuck sue and what are the chances they would?

In the opinion of the City of Nashua's legal experts, joining the District is an event for which there is no conceivable liability. It is not certain at this time that the District will ever have any of the Pennichuck assets, and the District, without eminent domain powers, is a toothless tiger of no particular threat to the Company. Pennichuck, itself, has noted the lack of eminent domain power in its pleadings. The City thinks it is highly unlikely that Pennichuck could dream up any theory of liability for simply joining the District. If such an action were commenced, it would be solely for its "in terrorem" value and could conceivably result in the award of costs and attorneys' fees, and maybe even damages, against Pennichuck. Finally, most if not all the towns may have liability insurance for civil rights claims so they would be provided a defense (lawyer) and any judgment, as unlikely as that might be, would be paid on their behalf.

If the District and its potential members want this effort to succeed, everyone is going to have to stand up and be counted. If towns sit on the sideline waiting for the outcome of the eminent domain proceedings, they are sending a signal to Pennichuck that its threats can be successful. Nashua has sought the acquisition of all of the regulated assets because it believes in the concept of regionalization. The acquisition of the Nashua core system would be a much easier and less expensive taking for the City.

The City believes that Pennichuck is trying to divide the communities, as clearly indicated in its recent invitation to the towns to attend a series of informational meetings. If the towns truly want a regional water district, they are going to have to resist these kinds of efforts. The Company will do whatever it can to prevent a unified effort.

25% of Pennichuck's income is derived from their Southwood operation, whose ability to continue expansion has come to an end. If that income is stripped from the water operations what is the effect on the financials and the future of the water rates?

The operational costs as well as income and profit from Southwood Corporation flows up to Pennichuck Corporation. Under the principles of regulation the costs and income should have no effect on the regulated companies nor is any of the income attributed to the regulated companies. The company states that it wants to stay whole for the Philadelphia Suburban offer at least. This offer though, included Southwood and Water Services. The city of Nashua can only take regulated utility assets and not non regulated assets outside of the city of Nashua and therefore does not value Southwood or Water Services as part of its offer. It is true that Southwood Corporation's expansion potential and income potential is diminishing. The city believes this may have been a more important factor in Philadelphia Suburban pulling out than Pennichuck is saying. All city proposals, analyses, and valuations done for the regulated assets specifically exclude Southwood Corporation and Water Services. If Pennichuck attempts to claim any impact or severance as a result of Southwood or Water Services this will be viewed negatively by the Public Utilities Commission as there should have been no cross subsidies between rate payers and non regulated activities at the company level.

What portion of that income is sustainable and would continue to contribute to the water operations?

No income from Southwood Corporation or Water Services Company is attributable to the regulated assets, namely Pennichuck Water Works, Pennichuck East Utility, and Pittsfield

Aqueduct Company. No portion of that income can be contributing to water operations. The only contribution should be to the parent, Pennichuck Corporation, which helps distribute administrative overheads at the holding company level. The pro formas, valuations, and analyses done by the city of Nashua specifically exclude any contribution of the regulated companies to the unregulated companies. Nashua also takes a different view of overheads because it will be a governmental regional district as opposed to a corporation. The district's overheads will be less and different.

How committed is Nashua to the protection of the watershed and the expenditure of funds they might rather see invested in the infrastructure? What commitment is the City willing to make in balancing the needs of the surrounding communities to their own needs and the long term health of the watershed?

In the 1990s the citizens and policy leaders of the City became increasingly concerned with Pennichuck Corporation's need to "balance between watershed protection and economic growth," as expressed by then-CEO Maurice Arel. In response to those concerns, the City of Nashua passed the Water Supply Protection District ordinance to increase protection of the watershed. At the cost of \$2 million the City then purchased 250 acres plus 41 acres of conservation easement from Pennichuck Corporation to protect the land from being developed by Pennichuck Corporation. The City subsequently purchased an additional 103 acres adjacent to the previous acquisition, and assisted in the private donation of an additional 80 acres to NH Audubon. Nashua has also enacted, albeit late in the process, the most comprehensive watershed protection legislation in the state.

Nashua believes that investing in the system's infrastructure and investing in land protection are equally important. Without the investment in infrastructure, pipes leak and water is lost. Without the investment in land preservation, groundwater storage opportunities are lost. Both affect the long term sustainability of the water system. The Resource Plan, a plan proposed to be developed for the District by experts, will clearly articulate the investments that need to be made to protect the region's drinking for the long term.

Nashua has not been as forthcoming as some communities would like in regards to their actions and strategies in the negotiations.

Our goal is to correct that perception to the best of our ability without compromising our ability to be successful in our efforts to secure public ownership of the water supply. Nashua has been trying to carefully balance its need to keep the other communities in the region informed with the potential to damage the long term goal if information regarding the proceedings is publicized in an untimely fashion. Members of the region should however be aware that Nashua has, in the past, refused to entertain proposals which would have been in Nashua's interest at the expense of the regional district, because Nashua is committed to a path which will lead to the successful transfer of the assets to the ownership of the regional district.