

Concord Office

10 Centre Street
PO Box 1090
Concord, NH
03302-1090
603-224-7791
1-800-640-7790
Fax 603-224-0320

Attorneys At Law

Robert Upton, II
Gary B. Richardson
John F. Teague
Russell F. Hilliard
James F. Raymond
Barton L. Mayer
Charles W. Grau
Margaret-Ann Moran
Thomas T. Barry*
Bridget C. Ferns
David P. Slawsky
Heather M. Burns
Matthew H. Upton
Lauren Simon Irwin
Kenneth J. Barnes
Matthew R. Serge
Justin C. Richardson
Beth A. Deragon

*Also Admitted In Virginia

Of Counsel

Frederic K. Upton

Hillsborough Office

8 School Street
PO Box 13
Hillsborough, NH
03244-0013
603-464-5578
1-800-640-7790
Fax 603-464-3269

Attorneys At Law

Douglas S. Hatfield
Margaret-Ann Moran
Paul L. Apple

North Conway Office

23 Seavey Street
PO Box 2242
North Conway, NH
03860-2242
603-356-3332
Fax 603-356-3932

Attorney At Law

Robert Upton, II

Portsmouth Office

159 Middle Street
Portsmouth, NH
03801
603-436-7046
Fax 603-431-7304

Attorneys At Law

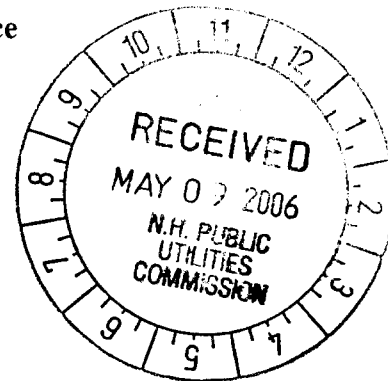
Russell F. Hilliard
Justin C. Richardson

www.upton-hatfield.com
mail@upton-hatfield.com

**Upton
& Hatfield** ^{LLP}
ATTORNEYS AT LAW

Please respond to the Portsmouth office

May 5, 2006



Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: City of Nashua: *Petition for Valuation Pursuant to RSA 38:9*
Docket No. DW 04-048

Dear Ms. Howland:

As referenced in the report of Hearings Examiner Donald Kries, Esq., to the Commission in this proceeding, representatives for the City of Nashua and the Pennichuck Water Works, Inc., met on Friday April 28, 2006 and discussed resolution of Pennichuck's Motion to Compel and Nashua's Objection thereto. In accordance with those discussions, I am providing this response on behalf of the City of Nashua by electronic mail to all the parties on the Commission's official electronic service list. Due to an unforeseen staff illness, I have not sent a copy by first class mail to all parties on the Commission's service list, but will do so on Monday May 8, 2006.

The parties discussed the Motion and Objection in terms of five substantive areas, set forth below. Based on discussion at the hearing, proposals were made to resolve four of the five substantive areas. No proposal was made to resolve number four of five, identified below. My understanding of these five areas, together with Nashua's response is the following:

1. *Information relative to problems concerning Veolia's Water Indianapolis, LLC's operations of the water system of the City of Indianapolis.*

As discussed last Friday, Nashua strongly disagrees that there were, in fact, any operational or other problems encountered with respect to Veolia's operations. As noted in Nashua's Objection, the Indiana Department of Environmental Management stated on October 6, 2005 that its own analysis did "not indicate a violation of state or federal drinking water quality standards."

However, in order to resolve this matter, *subject to an appropriate protective order*, Veolia Water North America – Northeast, LLC has agreed to make the subpoenas issued in the Indianapolis matter available by May 31, 2006 (earlier if available). Insofar as the proposal included all non-confidential documents or information provided in response to those subpoenas, Nashua further agrees to provide relevant non-confidential documents available, subject to an appropriate protective order, upon reasonable request and within a reasonable time period, such as 10 days, following disclosure of the subpoenas.

2. *Collective bargaining agreement for Veolia Water Indianapolis, LLC.*

As discussed last Friday, Nashua does not believe this information is relevant to this proceeding. However, in order to resolve this matter, Nashua will provide the collective bargaining agreement(s) for Veolia Water Indianapolis, LLC, no later than May 31, 2006 (earlier if available).

3. *Request for information related to all civil lawsuits related to the operation of water systems in the U.S. (except for employment or workers compensation matters) between Veolia Water and the Owner of the water system.*

Nashua will provide this information no later than May 31, 2006 (earlier if available).

4. *Internal communications related to the contract negotiations.*

Although the parties discussed this item, no proposal to resolve this matter was proposed. Accordingly, Nashua understands that the hearings examiner will review this matter and make a recommendation to the Commission.

5. *Veolia's risk profile and/or financial model.*

As discussed last Friday, this request arose *inter alia* in the context of Pennichuck's deposition requests for individuals involved in the negotiations of Nashua's contract with Veolia Water North America – Northeast LLC. To resolve this matter, it was proposed that:

- Nashua would provide Veolia's estimate of the total annual price (i.e. cost to Nashua) for each of the non-fixed components (the "buckets") under its contract with Nashua. These components are Renewal, Repair and Replacement Maintenance, Supplemental Services, and Capital Improvement Projects.; and
- Pennichuck agreed that it would not seek during depositions (or otherwise) information as to how Veolia determined those costs using its financial model or other confidential information.

Based on the foregoing, Nashua agrees to provide Veolia's estimate for each of the non-fixed components ("the buckets") no later than May 31, 2006.

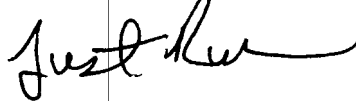
May 5, 2006
Page 3

The above sets forth my understanding of the proposals to resolve four of the five areas as discussed at the hearing held on April 28, 2006, and Nashua's response thereto. If I have failed to include any of the terms or issues related thereto, I request that the parties contact me as soon as possible in order to identify any changes necessary to correct the understanding with respect to the above items.

On behalf of Nashua and I believe all of the parties involved, I would also like to offer my appreciation to the Commission for its decision to use a hearings examiner to resolve this matter. Mr. Kreis's timely and appropriate discussion of the issues contributed greatly to the progress made on April 28, 2006.

If you have any questions concerning this matter, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin Richardson", written over a horizontal line.

Justin C. Richardson
jrichardson@upton-hatfield.com

JCR

cc: Official Service List DW04-048
Donald Kries, Esq., Hearings Examiner