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July 16, 2007



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

Dear Ms. Howland:

Attorneys At Law
Douglas S. Hatfield
Margaret-Ann Moran
Paul L. Apple

I am writing on behalf of the City of Nashua to advise you that the City has elected to terminate the Stay Period under the terms of the Stay Agreement between the City and Pennichuck Corporation dated January 16, 2007. A copy of the City's press release issued today is attached.

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Attorney At Law
Robert Upton, II

As indicated in the press release, the City is very disappointed that the negotiations failed for the reasons they did.

The City will be prepared to discuss the procedural issues listed in the Secretarial Letter dated June 7, 2007 at the technical session scheduled for July 17, 2007.

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Very truly yours,

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City of Nashua
Office of the Mayor



Mayor Bernard A. Streeter

**City of Nashua Terminates Settlement Discussions
with Pennichuck Corporation**

NASHUA, NH (July 17, 2007) – The City of Nashua, New Hampshire has terminated settlement discussions and the stay period earlier agreed upon with Pennichuck Corporation over the eminent domain proceedings pending before the Public Utilities Commission of the State of New Hampshire (the “PUC”), Mayor Bernard A. Streeter and President of the Board of Aldermen David Rootovich said today in a joint announcement.

The eminent domain proceedings were stayed under an agreement entered into between the City and Pennichuck on January 16, 2007, to allow the parties to discuss a possible comprehensive settlement of the eminent domain controversy through an acquisition of Pennichuck by the City. The City was not able to reach agreement with Pennichuck on the terms of an acquisition transaction.

The eminent domain controversy began in 2002 during Pennichuck’s efforts to merge with Aqua America Inc. (formerly known as Philadelphia Suburban Corporation). In January 2003 residents of Nashua voted (by a 77% approval margin) in a special referendum election authorizing the city to acquire by eminent domain proceedings all or a portion of Pennichuck’s assets serving the residents of the City.

Following failed negotiations with Pennichuck, the City filed a petition with the PUC to acquire all of Pennichuck’s water utility assets under Chapter 38 of the New Hampshire Revised Statutes Annotated. The PUC began a hearing on the merits of Nashua’s petition in January 2007, but after two days of hearings the proceedings were stayed under the January 16 agreement.

With the termination of the stay period, Nashua will seek to resume the PUC hearings on its eminent domain petition as soon as practicable. The timing of the resumption of the PUC hearings will be decided by the PUC. The City does not currently envision further settlement discussions with Pennichuck. The City will not be able to make any additional proposals to acquire Pennichuck or otherwise settle the PUC case, because Pennichuck has made the necessary information about its operations and finances unavailable to the City.

“We are very disappointed that the Pennichuck Board has not agreed to our proposals for an acquisition of the company which would settle this controversy,” said Mayor Streeter and Aldermanic President Rootovich.

“We and our advisers worked very hard to put forward a proposal that we think Pennichuck shareholders would find attractive, and we responded with flexibility to the Pennichuck Board’s legitimate concerns regarding a transaction, but at the end of the discussions stubborn problems remained.

“In spite of these developments, we remain convinced that the residents of Nashua have a strong need to control their own water and the watershed property which lies within the City and are entitled to rates which reflect the cost of service as opposed to providing a return to Pennichuck’s shareholders. We will continue to take appropriate action at the PUC to see that these needs are satisfied,” they said.

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