

Fred S. Teeboom
24 Cheyenne Drive
Nashua, NH 03063
(603) 889-2316
fredtee@comcast.net

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President Brian McCarthy and Members
Nashua Board of Aldermen
229 Main Street.
Nashua, NH 03061-2019

Reference: Alderman Craffey's Letter dated 6 December 2012 to the Nashua BoA

Dear President McCarthy and Members of the Nashua BoA.

Alderman Craffey, in referenced letter, expressed concern with the planned filing for a Water Infrastructure and Conservation Adjustment (WICA) to the New Hampshire Public Utilities Commission (PUC) for review and approval before the end of this year, 2012.

As an Intervenor before the PUC and signer of the Merger Agreement, I share Ald. Craffey's concern. Specifically, I have repeatedly voiced my concern with the new Pennichuck Corporation's ability to reimburse the City of Nashua annually the amount of nearly \$9 million for the full cost of the acquisition, without a substantial increase over the rates paid under the previous (pre-buyout) ownership.

Consider that the new corporation is very highly leveraged, for not only does it have to pay for the \$152 million acquisition, but also for payments on the assumed long-term debt of around \$50 million, reimbursement to the City of Nashua for \$5 million Eminent Domain costs, and payments for \$7.8 million annual capital improvements (see C. W. Downer financial analysis).

There is no mention of the WICA filings in the published minutes of the Pennichuck Corporation. However, the **Preliminary 2012 Budget** posted on the corporation's website offers some insight:

Net income for CY2011 is \$4.1 million, whereas net loss for CY2012 is \$1.2 million (see attached budget). This shows a loss of net income of \$5.3 million between previous and current ownership.

On gross revenues of \$37 million, this represents the need for a 14% rate increase to make up this loss of income; more to pay for the borrowed \$7.8 million each year for capital improvements (see C. W. Downer Financial Analysis).

Under the Bylaws of the corporation, no Annual Report to shareholders is required, neither is a SEC filing. An Annual Meeting shall be called by the Pennichuck Board of Directors, and a Special Meeting may be called by the Sole Shareholder. The Nashua BoA, representing the Sole Shareholder, voted against a Special Meeting, but I urge this be reconsidered.

Whether an Annual or Special Meetings, the meetings shall be public, and ratepayer should be allowed to question the Pennichuck Board of Directors concerning the corporation's finances and operations.


Fred S. Teeboom
Former Alderman-at-Large and PUC Intervenor

Cc: Mayor Lozeau
Nashua Corporation Counsel