



AQUARION
Water Company

Stewards of the Environment™

***Presentation to
Water Acquisition Study Committee
July 11, 2012***

www.HinghamWaterFacts.com

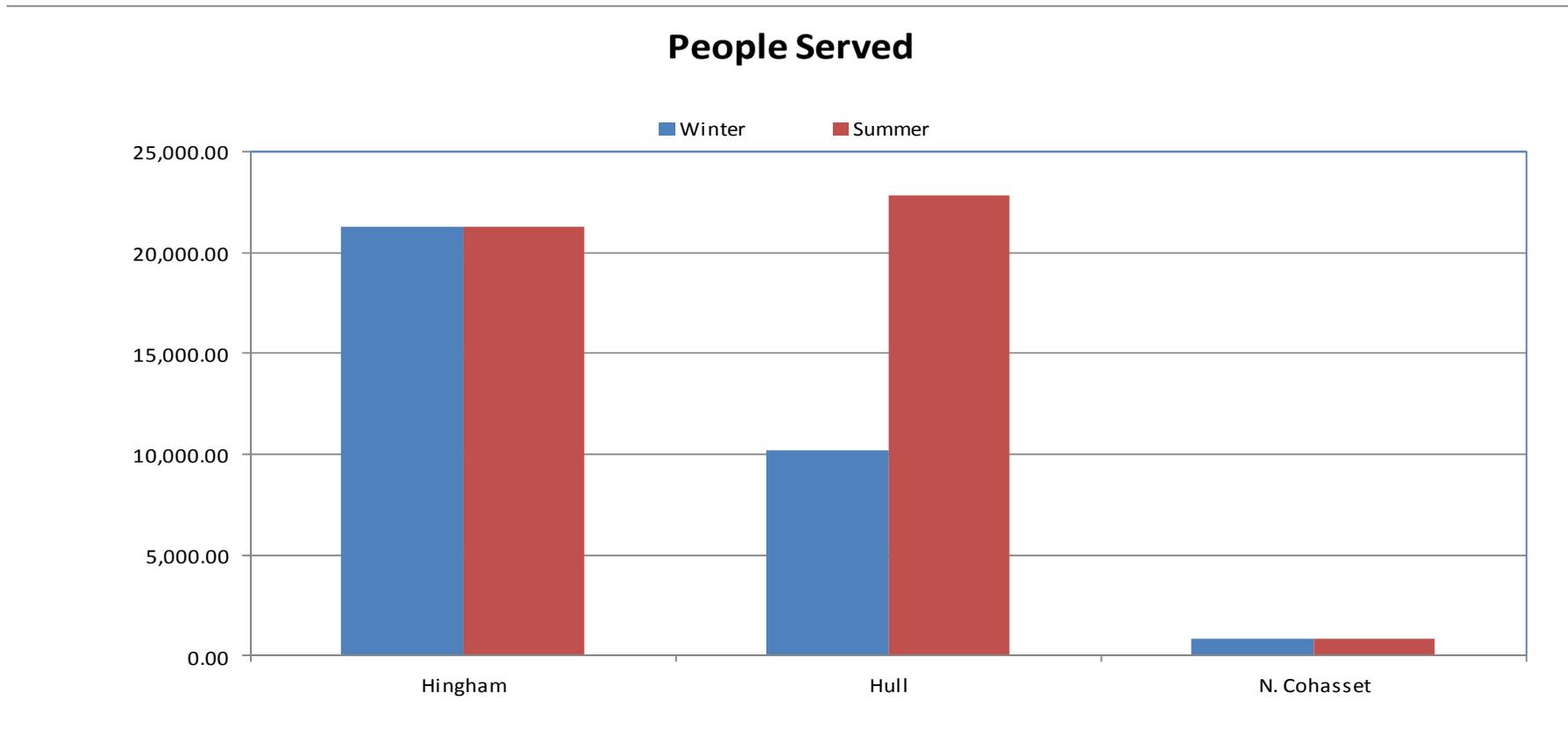


Introduction

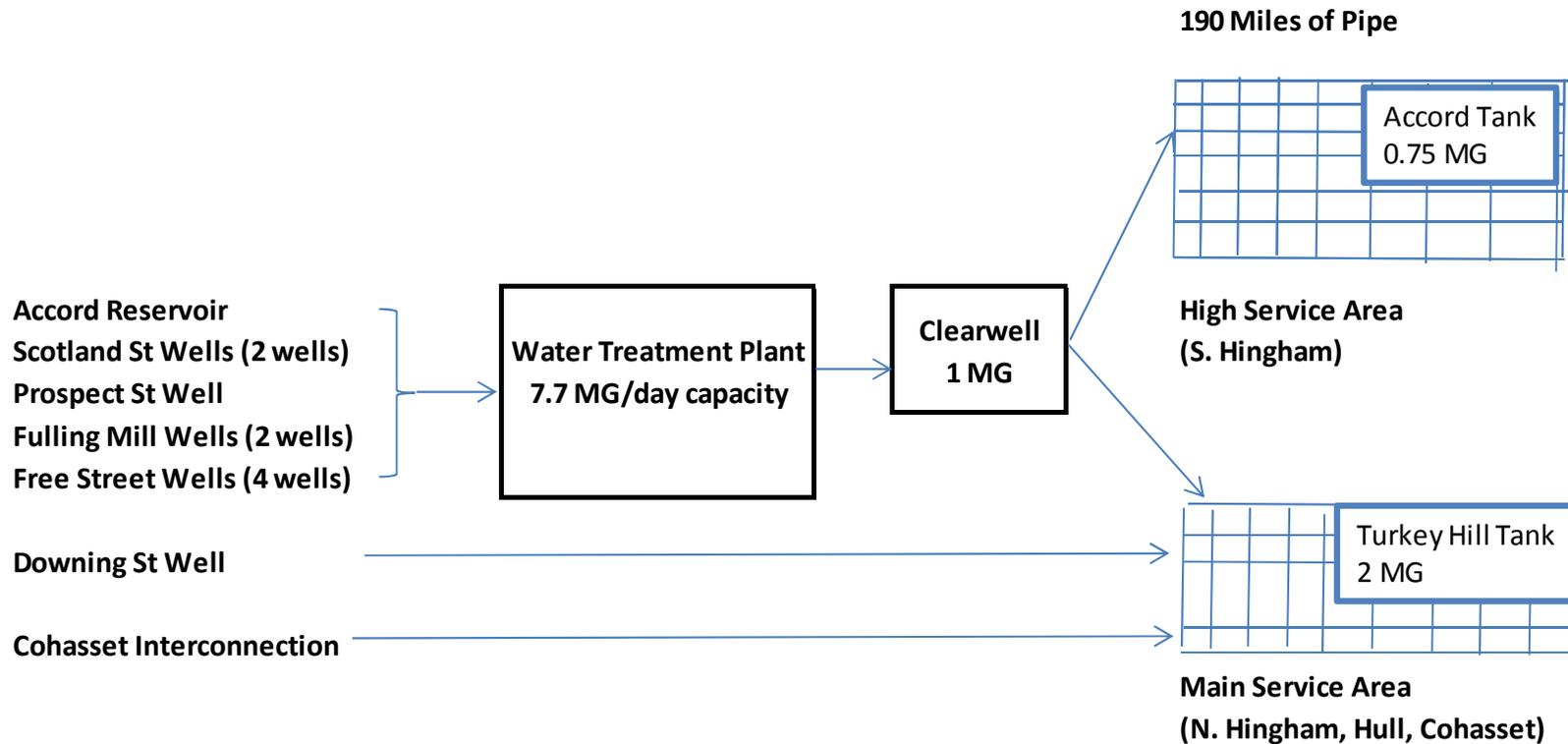
- **Harry Hibbard**
 - Vice President, Operations
 - Aquarion Water Company of Massachusetts
- **John Walsh**
 - Director of Supply Operations
 - System Overview
- **Joe Conner**
 - Pricing and Valuation of the System



People Served



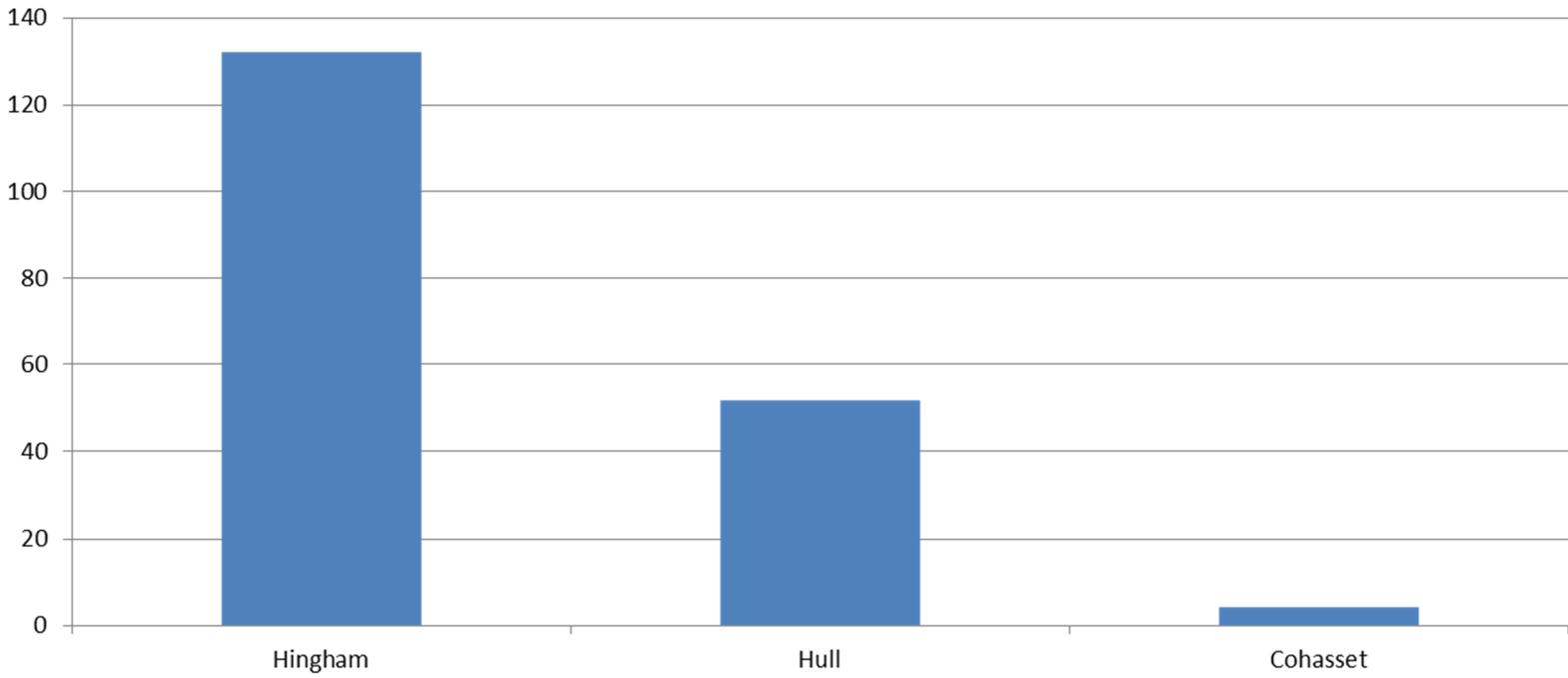
Water Infrastructure



MG = Million Gallons
Active wells shown only



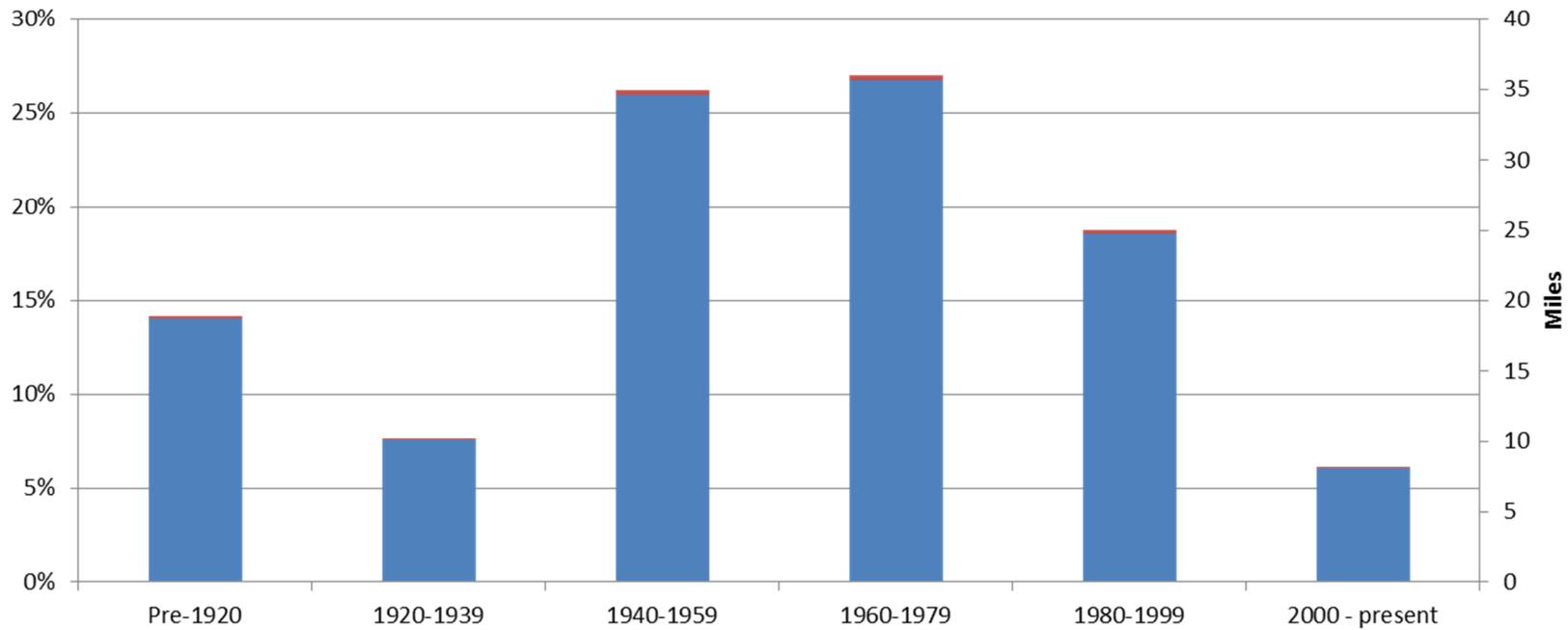
Miles of Pipeline



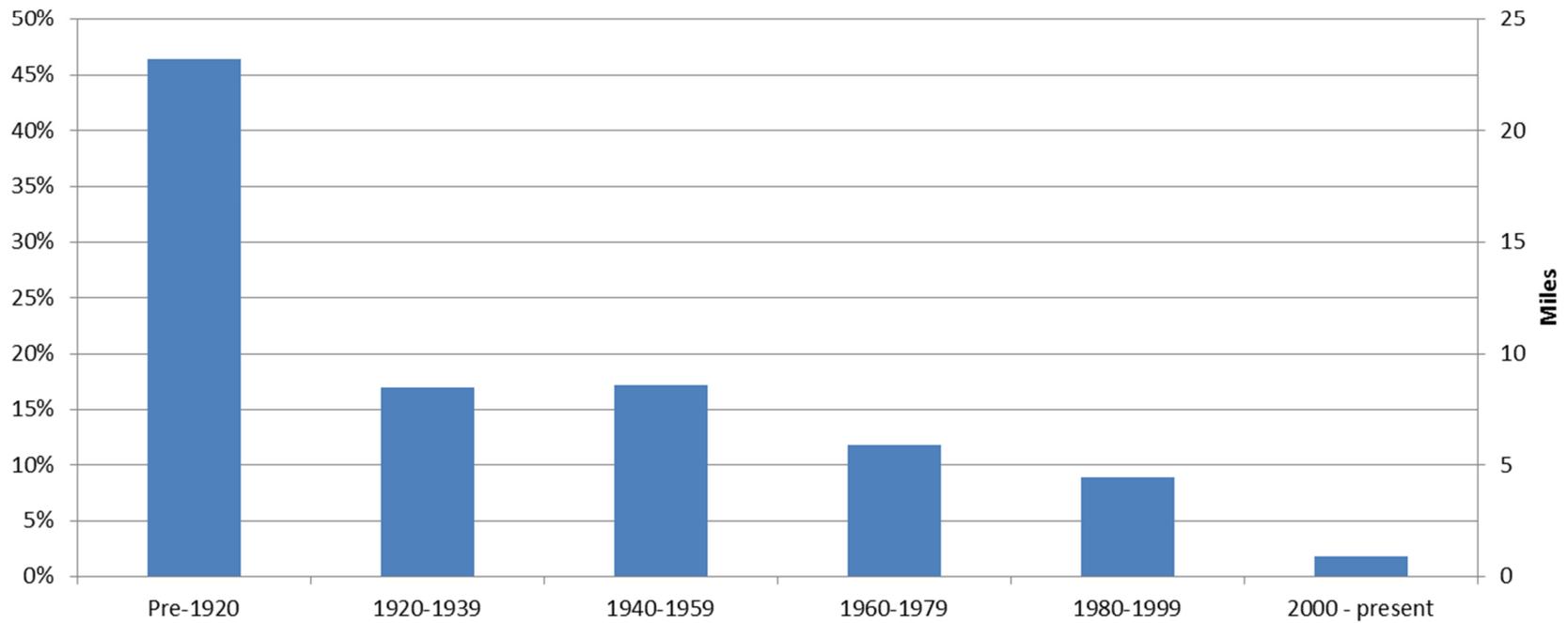
Distribution System



Age of Mains - Hingham



Age of Mains – Hull



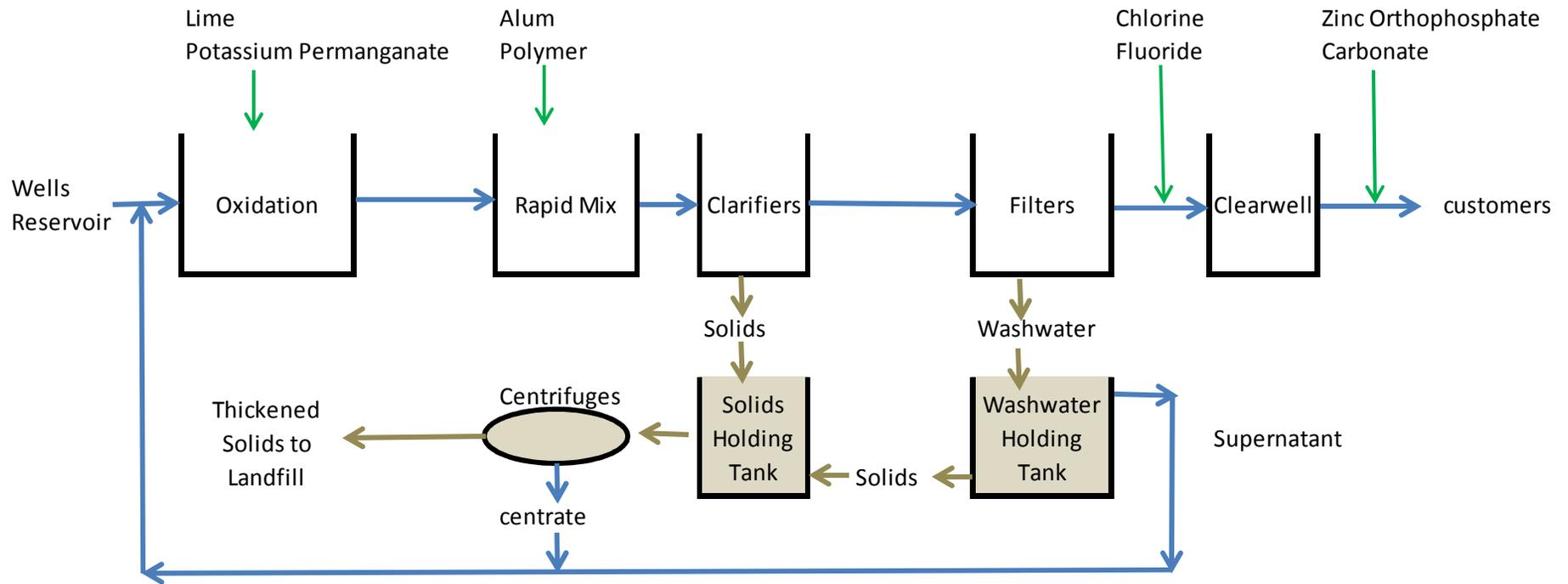
Treatment Plant



- **1996 DPU Order**
 - Demonstrated Need
 - Local Zoning Conditions
- **Treatment Process**

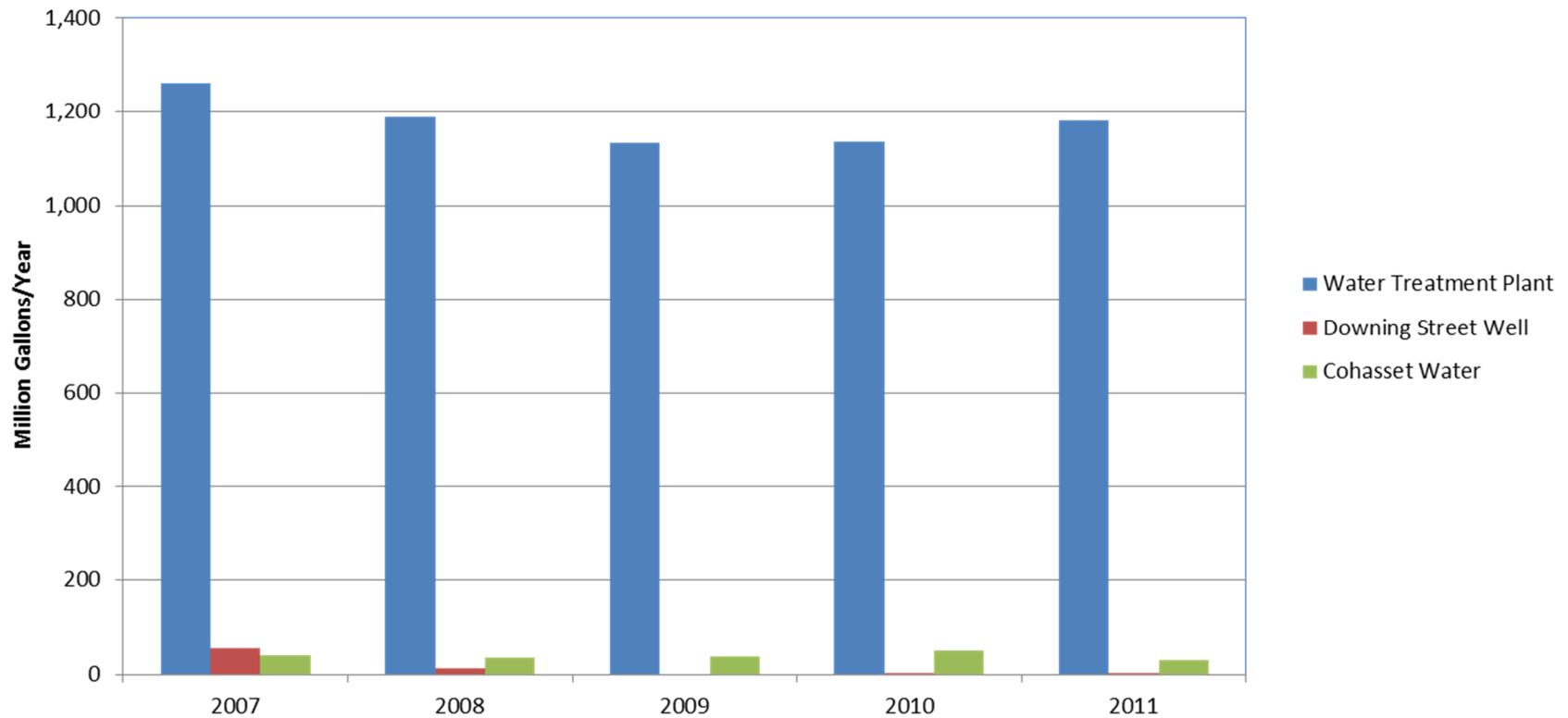


Treatment Plant Process



Annual Production

Annual Production (million gallons per year)



Aquarion Support and Expertise

- **Treatment Process / Water Quality**
- **Treatment Plant Automation**
- **Infrastructure Programs**
- **Efficiency / Cost Control**
- **Customer Service**



Water System Timeline

- 1879** Hingham Water Company incorporated by General Court of Massachusetts
- 1936** American Water acquires Hingham Water Company from merger with Community Water Service
- 1938** Opinion of Justices upholds 10% valuation formula
- 1958** Motion to investigate purchasing water company considered and voted down by Town Meeting.
- 1985** Water Supply Committee reviews study and concludes it was not in Town's best interest to purchase water company at that time.
- 1996** Water Treatment Plant goes online
- 2002** American Water sells stock of four utility subsidiaries in MA, NY, NH and CT to Aquarion
- 2006** Entire Aquarion enterprise acquired by Macquarie Utilities Inc. (stock transaction)
- 2012** Article 19



1879 Charter – Pricing Formula

Section 11. The town of Hingham shall have the right . . . to purchase the corporate property, and all the rights and privileges of said company at the actual cost of the same, together with interest thereon at a rate not exceeding ten per centum per annum . . . , deducting from said cost any and all dividends which may have been paid by said corporation . . .



Three Potential Acquisition Options

- 1. All corporate property at the Charter Formula Price.**
- 2. All corporate property (w/o WTP) at Charter Formula Price, plus FMV of WTP under eminent domain.**
- 3. All corporate property (w/o WTP) at Charter Formula Price, plus assumption of the lease of the WTP.**



Option No. 1

Charter Formula Pricing Report

Asset Original Costs:

1. Gross plant and equipment
2. Assembled work force
3. Customer information database
4. Property maintenance records
5. Water testing data



Charter Formula Pricing Report

- ✓ **10% interest applied to asset cost**
- ✓ **Dividends deducted**
- ✓ **Formula calculated with and without WTP**



EXHIBIT 1A
AQUARION WATER COMPANY - HINGHAM WATER SYSTEM
SUMMARY OF CORPORATE PROPERTY INCLUDING THE RETURN ON CORPORATE PROPERTY
FORMULA PURCHASE PRICE OF CORPORATE PROPERTY (INCLUDING HINGHAM WATER TREATMENT PLANT)
ACCORDING TO THE 1879 CHARTER PRICING FORMULA
AS OF DECEMBER 31, 2011

<u>Type of Corporate Property</u>	<u>Exhibit Reference</u>	<u>Historical Cost of Corporate Property Component</u> \$ A	<u>Ten Percent Return on Historical Cost Component</u> \$ B	<u>1879 Charter Pricing Formula Total Corporate Property Purchase Price</u> \$ A + B
Gross Plant and Equipment Corporate Property Total	2	68,216,367	124,647,781	192,864,148
Assembled Workforce Corporate Property Total	3	190,084	202,184	392,267
Customer Information Database Corporate Property Total	4D	1,719,593	2,880,351	4,599,944
Property Maintenance Database Corporate Property Total	5	297,736	476,515	774,251
Water Testing Records Database Corporate Property Total	6	101,868	61,068	<u>162,936</u>
Total Corporate Property				<u>198,793,547</u>
 Minus Hingham Water System Dividends	 7			 <u>14,334,977</u>

Formula Purchase Price of Hingham Water System Corporate Property, as of December 31, 2011 (rounded) 184,460,000

Original Data Sources: Aquarion Management, WMA calculations, and as indicated.



EXHIBIT 1B
AQUARION WATER COMPANY - HINGHAM WATER SYSTEM
SUMMARY OF CORPORATE PROPERTY INCLUDING THE RETURN ON CORPORATE PROPERTY
FORMULA PURCHASE PRICE OF CORPORATE PROPERTY (EXCLUDING HINGHAM WATER TREATMENT PLANT)
ACCORDING TO THE 1879 CHARTER PRICING FORMULA
AS OF DECEMBER 31, 2011

<u>Type of Corporate Property</u>	<u>Exhibit Reference</u>	<u>Historical Cost of Corporate Property Component</u> \$ A	<u>Ten Percent Return on Historical Cost Component</u> \$ B	<u>1879 Charter Pricing Formula Total Corporate Property Purchase Price</u> \$ A + B
Gross Plant and Equipment Corporate Property Total	2	27,973,736	60,107,104	88,080,840
Assembled Workforce Corporate Property Total	3	190,084	202,184	392,267
Customer Information Database Corporate Property Total	4	1,719,593	2,880,351	4,599,944
Property Maintenance Database Corporate Property Total	5	297,736	476,515	774,251
Water Testing Records Database Corporate Property Total	6	101,868	61,068	<u>162,936</u>
Total Corporate Property				<u>94,010,239</u>
Minus Hingham Water System Dividends, Excluding Mass Cap Dividends	7			<u>9,730,977</u>

Formula Purchase Price of Hingham Water System Corporate Property, as of December 31, 2011 (rounded) \$ 84,280,000

Original Data Sources: Aquarion Management, WMA calculations, and as indicated.



Option No. 2

- 1. Formula price of corporate property without WTP: \$84.3 Million**
- 2. FMV of WTP: \$60.8 Million**
 - **Cost Approach – Hatch, Mott, MacDonald**
 - **Income Approach**
- 3. Total: \$145.1 Million**



Option No. 3

- 1. Formula price of corporate property without WTP: \$84.3 Million**
- 2. Assumption of WTP lease**
 - **Total lease payments through 2035: \$110 Million**
 - **No right to purchase**
 - **Customer surcharge remains unchanged**
 - **Lessee required to fund all operations and capital improvements**



Summary

1. Charter formula price

- All corporate property: \$184.5 Million
- All corporate property excluding WTP: \$84.3 Million

2. Option No. 2

- All corporate property excluding WTP: \$84.3 Million
- FMV of WTP under eminent domain: \$60.8 Million
- Total: \$145.1 Million

3. Option No. 3

- All corporate property excluding WTP: \$84.3 Million
- Assumption of WTP lease: \$110 Million in lease payments



Thank you for this opportunity.



AQUARION
Water Company



AQUARION

Water Company

Stewards of the Environment™

www.HinghamWaterFacts.com

