

Commonwealth of Massachusetts
Superior Court C.A. No. SUCV2013-03159-BLS2

Town of Hingham
v.
Aquarion Water Company of Massachusetts, Inc.
and
Aquarion Water Capital of Massachusetts Inc.

Review Report of
John F. Guastella

September 2014

GUASTELLA ASSOCIATES, LLC

UTILITY MANAGEMENT • VALUATION • RATE CONSULTANTS

6 BEACON STREET, SUITE 200
BOSTON, MA 02108
TEL: (617) 423-3030
FAX: (617) 423-2929

September 15, 2014

Joe A Conner, Esq., Shareholder
Baker, Donelson, Bearmann, Caldwell & Berkowitz, PC
1800 Republic Center
633 Chestnut Street
Chattanooga, Tennessee

RE: Town of Hingham v. Aquarion Water Company of Massachusetts, Inc. and Aquarion Water Capital of Massachusetts, Inc. No. SUCV2013-03159-FL52, in the Commonwealth of Massachusetts.

Dear Mr. Conner:

I have completed my review of the Expert Report of Carl Jenkins, Duff & Phelps, LLC dated June 30, 2014 that was prepared on behalf of the Town of Hingham

As described in this report, I found that each of the major opinions and recommendations of Mr. Jenkins is inconsistent with the language and interpretation of the 1879 Charter of the Hingham Water Company. I also found that the analyses that Mr. Jenkins used to support his opinions contain errors and omissions as to methodology and calculations.

I am available to answer any questions you may have regarding my report, and I am available to provide additional consulting services that you may require regarding this matter.

I very much appreciate this opportunity to provide consulting services to you and Aquarion Water Company of Massachusetts, Inc.

Respectfully submitted,
GUASTELLA ASSOCIATES, LLC



John F. Guastella
President

Table of Contents

Description	Page
Transmittal Letter	
Introduction	1
Summary of Findings	2
Mr. Jenkins' Opinion No. 1	3
Mr. Jenkins' Opinion No. 2	8
Mr. Jenkins' Opinion No. 3	10
Mr. Jenkins' Net Plant Purchase Price Methodology	12
Mr. Jenkins' Opinion No. 4	12
Conclusion	13
* * * * *	
Schedule JFG-1	
Correction of Mr. Jenkins' Opinion No.1 Calculation of Equity Attributable to the Hingham Water System	
Schedule JFG-2	
Correct Contributed Equity Purchase Price Methodology	
Appendix A	
John F. Guastella Qualifications and Experience	

INTRODUCTION

By letter dated December 18, 2013 this firm was engaged on behalf of Aquarion Water Company of Massachusetts, Inc. (“Aquarion Mass” or “Utility”) to assist the law firm of Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C. by providing consulting services with regard to litigation in Superior Court, Civil Action No. SUCV 2013-01359-BLS2, Town of Hingham v. Aquarion Water Company of Massachusetts, Inc. and Aquarion Water Capital of Massachusetts, Inc. (“Aquarion Mass Cap”). The purpose of this report is to summarize my independent review of the “Expert Report of Carl Jenkins, Duff & Phelps, LLC” dated June 30, 2014 that was prepared on behalf of the Town of Hingham (“Town” or “Hingham”).

My experience includes working for the New York State Public Service Commission as Director of its Water Division, responsible for the regulation of some 450 water utilities as to rates, valuation and service. I formed my consulting firm in 1978 and have provided consulting services throughout the country, testifying as an expert witness in 23 states in hundreds of cases involving rates, valuations, appraisals and other matters. I was one of the founders of a water rate seminar conducted by the National Association of Regulatory Commissioners in coordination with several universities, and have taught water rate setting and valuation to over 7,500 students. A detailed statement of my qualifications and experience is attached as Appendix A.

I have carefully examined the 1879 statute chartering the Hingham Water Company (“HWC”) Section II, Chapter 139 (the “Charter”), and Mr. Jenkins’ report. I have reviewed Hingham’s complaint and the answer by Aquarion Mass and Aquarion Mass Cap (collectively “Aquarion”), as well as related interrogatories, responses to discovery, and other documents. I have also reviewed the “Formula Purchase Price Analysis, Hingham Water System as of December 31, 2011” dated June 29, 2012 by Willamette Management Associates (“Willamette”) on behalf of Aquarion and the most recent cost

study of the water treatment plant by the engineering firm of Hatch Mott MacDonald, dated September 12, 2014.

I am also thoroughly familiar with recent litigation involving the Town of Oxford and Aquarion Mass Oxford water system, in which I provided consulting services and testified on behalf of Aquarion Mass, Town of Oxford v. Aquarion Water Company of Massachusetts, Inc. The Superior Court, Civil Docket # WOCV 2009-00592D consolidated with 2009-1496. This case also concerned the establishment of a purchase price in accordance with the interpretation of a “charter” applicable to the Oxford Water Company and its successors. While the purchase provisions with respect to the Oxford and Hingham water systems are not identical, the meaning of the term “actual cost” is exactly the same.

SUMMARY OF FINDINGS

Mr. Jenkins states on page 8 of his report that he has “four opinions related to the Purchase Price of the Hingham Water System under the statute,” and lists them. I will individually address each of Mr. Jenkins’ opinions, but generally find that:

1. Each of Mr. Jenkins’ opinions is contrary to the specific language and meaning of the purchase price provision in the Charter.
2. The analysis Mr. Jenkins uses to support his opinions is flawed as to
 - a. his interpretation of the Charter,
 - b. his understanding of ownership of the utility corporation and equity interest of the stockholder, and
 - c. his failure to include any review of court decisions involving Aquarion Mass and the specific issue of “actual cost.”

3. Aside from Mr. Jenkins' faulty analyses, his calculations of his own purchase price recommendations contain critical errors.
4. Mr. Jenkins' criticism of the Purchase Price calculated by Willamette Management Associates is wrong not only because his own analysis is faulty, but he also fails to present a valuation or appraisal standard before erroneously concluding that the Willamette Purchase Price represents a "windfall."

All of my analysis is undertaken pursuant to Section II of the Charter, which states with respect to the purchase price provision:

"The Town of Hingham shall have the right at any time during the continuance of the charter hereby granted, to purchase the corporate property, and all 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, said cost to include all actual loss or damage paid or suffered by said company for injury to person or property, deducting from said cost any and all dividends which may have been paid by said corporation, or at such a price as may be mutually agreed upon between said corporation and the Town of Hingham."

MR. JENKINS' OPINION NO. 1

Mr. Jenkins summarizes his first opinion on page 8 of his report, as follows:

"Opinion No. 1: The Purchase Price for the Hingham Water System based on the actual equity invested by the current controlling owner of the Hingham Water System is \$58,629,875. I calculated the Purchase Price incorporating the actual equity investment by Macquarie Utilities, Inc., the current controlling owner of the Hingham Water System."

Mr. Jenkins' first error is to base the purchase price on the "actual equity," instead of the Charter's requirement that it be based on the "actual cost" of the corporate property. His next error is to assume that the equity investor is the owner of the Hingham Water System. He is wrong. The Charter is unmistakable that the Town could purchase the corporate property of the utility company (the Hingham Water Company, now Aquarion Mass), at its actual cost. The Utility's property is the Hingham Water System or the physical assets that are in service to provide water to customers. The

equity investment is not the corporate property of the Utility but instead the money paid to the Utility by the stockholder(s) in exchange for stock. Utilities issue stock as one way of financing the cost of utility systems or physical property – utilities do not own the stock, stockholders own the stock which represents their equity investment.

It is beyond dispute that the Charter’s reference to actual cost of corporate property means the cost of the physical assets of the Utility; and equity investment is not the Utility’s property. Moreover, the fact that “actual cost” represents the original cost of the assets of the utility is understood and reflected in court decisions involving the Oxford Water System of Aquarion Mass. A judgment of the Superior Court, County of Worcester, Massachusetts, dated November 21, 2013, addressed the charter involving the Town of Oxford and the Oxford Water System. That charter states that the Town (“Oxford”) may “take by purchase . . . the franchise, property, rights and privileges” of Aquarion “on payment of the actual cost thereof.” St. 1904, c. 193, Section 9. The court determined that actual cost within the meaning of the Oxford charter refers to the original cost of the company’s property or physical assets of the utility system, relying on a 1984 decision, *Oxford v. Oxford Water Co.* (“Oxford I”), 391 Mass. 581, 586 (1984). Mr. Jenkins apparently chose not to discuss these decisions.

On page 19 of his report, Mr. Jenkins states:

“I calculated the Purchase Price of the Hingham Water System under the Statute using following four steps:

- Determine the equity invested by the current owner of the Hingham Water System
- Calculate interest, or the return, on the equity invested
- Determine dividends received by the current owner of the Hingham Water System
- Determine current debt outstanding”

Contrary to Mr. Jenkins’ statement, his calculation of the purchase price was not performed under the Statute (Charter) with respect to any of his four steps. With respect to his first step, as previously discussed, the Charter requires the calculation of the actual cost of the physical assets owned

by the Aquarion Mass, the utility, not on the equity investment of the stockholder who does not own the physical assets that comprise the Hingham Water System.

With respect to Mr. Jenkins' second step, the Charter requires the calculation of interest at a 10% rate on the actual cost, not on the equity investment used by Mr. Jenkins. While Mr. Jenkins' use of actual equity investment must be rejected because it is in violation of the Charter, I would also note that his calculation of actual equity investment is limited to a specific time period from 2005 to 2013. Mr. Jenkins calculates "actual equity investment" by determining what he calls the Total Enterprise Value ("TEV") implied by the 2007 transaction in which Macquarie Utilities, Inc. ("MUI"), a distant corporate parent, invested \$578.25 million in an equity transaction for Aquarion Company, which directly and indirectly owned a variety of companies, including Aquarion Mass and Aquarion Mass Cap. To this \$578.25 million he adds outstanding debt as of December 31, 2005. First, the Charter does not limit the calculation of actual cost to a partial time period, and 10% interest thereon only to the current or most recent stockholder at the time of the purchase. The Charter requires "deducting from said cost any and all dividends which may have been paid by said corporation", with no stated time frame. Accordingly, Mr. Jenkins Opinion No 1 clearly reflects a methodology that is contrary to the Charter as to the meaning of actual cost and the period for which the formula in the Charter must be applied. Moreover, his calculation of "actual equity investment" under his improper methodology contains a number of omissions and errors.

As a predicate, I make the following analysis on the basis that I am accepting the methodology and inputs that are used in Mr. Jenkins' Report in order to illustrate the errors that he made; I am not accepting as true any of these inputs and/or the methodology by going through this analysis. The first calculation error is found in Mr. Jenkins' "Total Enterprise Value (TEV)" allocation that consists of the sum of \$578,250,000 of equity and \$240,777,949 of debt, or \$819,027,949, which is allocated among the MUI systems on the basis of their relative EBITDA (Earnings before Interest, Taxes, Depreciation and

Amortization). His error is that the amount of debt attributable to each of these entities was known and, therefore, his allocation of the assumed debt portion of the purchase price according to EBITDA improperly changed the actual amount of debt attributable to each entity to an erroneous allocated amount. In the next step of his calculation (paragraph 49 on page 23 of his report), he subtracts the actual amounts of debt from the amounts of the total \$819,027,949 that he allocated to each entity which include the erroneous allocated amounts of debt. The result is a \$19,331,273 understatement of the equity attributable to the Hingham water system, including the water treatment plant. I have prepared Schedule JFG-1, Page 1, attached, showing a comparison of Mr. Jenkin's calculation of equity at \$19,572,996 and the correct calculation that produces \$38,903,269 of equity.

The second calculation error Mr. Jenkins makes is a failure to include all equity. A utility's equity not only consists of stock but also internally generated funds from cash flow from operations in the form of retained earnings and depreciation expense allowances. These internally generated funds represent equity investment because they are used to pay for utility plant and facilities as well as to pay down principal on debt. Mr. Jenkins fails to address the full impact of internally generated funds as equity, and only includes outstanding net debt, which fails to recognize that principal payments of past debt - - thus no longer outstanding - - represent equity investment. The recognition of internally generated funds as a component of equity investment is not only accurate as a matter of utility accounting and economics, but has also been recognized by The Superior Court, County of Westchester, in the Oxford case, stating:

"...this court credits and accepts Mr. Guastella's characterization of stockholder investment to include (1) putting money into the company by buying stock or infusing paid-in-capital; and (2) leaving money in the company through retained earnings or other internally generated funds. Unlike the Town's formula, Mr. Guastella's formula takes into account not only the original price paid in for stock, but also earnings retained by the company. While the term earnings retained is not a technical term this court finds that Mr. Guastella's formula accurately reflects the concept of stockholder investment articulated by the Supreme Judicial Court. Further, Mr. Guastella's formula accurately reflects the language of the Charter, which, when read as a whole, indicates a legislative intent to give stockholders a fair return on their investment."

Aside from the fact that Mr. Jenkin's "Actual Equity Investment" method is contrary to the Charter, his failure to properly calculate actual equity investment produces a very significant error in terms of the magnitude of his result. On page 2 of Schedule JFG 1, I show Mr. Jenkins calculation of a purchase price under his Opinion No. 1 method and the two corrections discussed above. The first table shows Mr. Jenkins' calculation of his \$58,629,876 purchase price; the second table shows the correction of the purchase price related to Mr. Jenkins' improper allocation of debt that produced a shortfall in equity, which brings the purchase price to \$90,857,492; and the third table shows the correction necessary to reflect all equity, including the equity from internally generated funds, which brings the purchase price to \$101,866,844. The table at the bottom shows the calculation of the equity from internally generated funds. Accordingly, using Mr. Jenkins' methodology under his Opinion No. 1, but correcting his calculation mistakes and omissions, the purchase price would be \$43,236,968 higher than he recommends. While the correction of Mr. Jenkins' errors produces dramatic results, the fact still remains that his methodology is not consistent with the Charter and even the corrected amount should not be substituted for the proper application of the Charter's formula for determining the purchase price. The corrections do, however, reflect on the competence of Mr. Jenkins' analysis.

Step 3 of Mr. Jenkins calculation of a Purchase Price is to "Determine dividends received by the current owner of the Hingham Water System". The current owner of the Hingham Water System is Aquarion Mass, not the Stockholders of Aquarion Mass, and it is the stockholder, not Aquarion Mass, that receives dividends. As previously discussed, the Charter requires a deduction of any and all dividends paid by the Utility, regardless of who the stockholders may have been over the years or when the dividends were paid. Step 3 of Mr. Jenkins calculation and analysis is also contrary to the Charter.

With respect to Step 4, Mr. Jenkins "Determines current debt outstanding" for inclusion in his equity investment amount. His stated reasons for doing so are because the debt was used to finance the water system assets and the debt will be paid off by the current owner. As previously discussed, Mr.

Jenkins failed to recognize that all debt, past and outstanding, was used as a source of financing the water system assets, and all past debt was paid off, not only the outstanding debt that would be paid off if the Town acquires the Hingham water system of Aquarion Mass. Mr. Jenkins erred by not including all debt. Once again, I am not suggesting that adding debt to equity investment conforms to the Charter, which requires using the actual cost of the assets, but merely to point out another error in Mr. Jenkins' analysis and calculations.

Because each step of Mr. Jenkins' four step approach under his Opinion No. 1 fails to comply with the Charter as to actual cost or original cost of the assets, and his analysis is also otherwise flawed as to its accounting theory and calculations, Mr. Jenkins' allocation methodology under his Opinion No. 1 should be rejected.

MR. JENKINS' OPIONION NO.2

Mr. Jenkins summarizes his second opinion on page 8 of his report, as follows:

“Opinion No. 2: The Contributed Equity Purchase Price for the Hingham Water System is \$51,727,051. I calculated the Purchase Price based on the books and records of the Hingham Water System back to 1879. This methodology incorporates the actual equity invested into the Hingham Water System by all of the owners since 1879) i.e., the sum of all the equity capital raised since 1879)”

In his Opinion No. 1, Mr. Jenkins substitutes the words “actual cost” in the Charter with “actual equity investment.” In his Opinion No. 2, Mr. Jenkins now substitutes the words “Contributed Equity” for “actual cost.” There is, however, no escaping the language and meaning clearly set forth in the Charter, that the purchase price must be based in part on the actual cost of the physical assets that are the corporate property of the utility corporation, Aquarion Mass.

Aside from the fact that use of Contributed Equity is contrary to the Charter, Mr. Jenkins' calculation fails to include internally generated funds as part of the equity. Mr. Jenkins describes his calculations of Contributed Equity, on page 28 of his report, in Step 1, “as the sum of Total Capital Stock, Premium on Capital Stock and Surplus Invested in Plant accounts.” He also states that, “The Contributed

Equity can also be calculated from the company's audited financials as the sum of the common stock and Paid-In Capital Accounts." None of those items includes internally generated funds from retained earnings and depreciation, which increase the equity investment. Even the audited financial statements that Mr. Jenkins relies upon for his input numbers clearly include retained earnings as part of the Total Stockholder Equity. As previously stated, these internally generated funds increase equity investment as a matter of utility accounting and economics, and have been recognized by the court in the Oxford case.

For Step 2 of his Opinion No. 2, Mr. Jenkins calculates interest at 10% applied to his calculation of "Contributed Capital", even though the Charter requires that the 10% interest rate be applied to the actual cost of the physical assets of the utility corporation.

Mr. Jenkins allocates dividends in Step 3 of his calculations, and then adds current debt outstanding in Step 4. As in his Opinion No. 1 calculation, Mr. Jenkins fails to recognize that the payment of past debt principal using internally generated funds, represents equity investment.

As was required with respect to Mr. Jenkins' methodology under his Opinion No. 1, correction is needed for his methodology under Opinion No. 2, in order to include all equity amounts. I have prepared Schedule JFG-2 which, on page 1, contains a summary of the purchase price using "Contributed Equity" and, on page 2, the year by-year-detail of the supporting data and calculations. As shown on page 1 of Schedule JFG-2, when equity from internally generated funds is added to Common stock and paid in capital, the total equity is \$38,858,913 as compared to Mr. Jenkins' \$10,750,928 of equity shown in paragraph 71, page 31, of his report. The additional equity accumulated year-by-year since 1879 also results in significantly more interest, or \$63,682,852 compared with Mr. Jenkins' \$26,343,284. According to data provided by the Aquarion Mass, the dividends to be subtracted from the purchase price calculation are \$16,585,742 which are slightly higher than Mr. Jenkins' \$15,853,997. There is no difference in the \$30,486,051 amount of outstanding debt added to the purchase price.

Overall, however, correcting Mr. Jenkins' calculation of the Contributed Equity Purchase Price is dramatic, \$116,442,074 compared to his \$51,727,051.

Mr. Jenkins' methodology under his Opinion No. 2, "Contributed Equity Purchase Price" is contrary to the Charter, flawed as to theory and calculation, and should also be rejected.

MR. JENKINS' OPINION NO. 3

Mr. Jenkins summarizes his third opinion on Page 8 of his report, as follows"

"Opinion No. 3: The Purchase Price calculated by Willamette Management Associates (the "Willamette Purchase Price") is flawed in several respects. Correcting these errors results in a Net Plant Purchase Price of \$58,420,742. The errors in the Willamette Purchase Price include: (1) using gross plant instead of net plant, (2) assuming the current owner should receive a return on assets funded by debt, and (3) adding to the purchase price costs associated with intangible assets"

Mr. Jenkins criticizes the Willamette Management Associates calculation of the Purchase Price because it reflects, in part, the gross plant instead of the "Net Plant Purchase Price." Mr. Jenkins' criticism of the Willamette calculation of the Purchase Price is reflective of a failure to understand how utility accounting works. Mr. Jenkins would use net plant, which is the actual cost of plant (water system) less accumulated depreciation, which is not mentioned in the Charter. The Willamette calculation uses the total actual cost without a reduction for accumulated depreciation, which is precisely consistent with the charter.

Mr. Jenkins analyzes the results of the Willamette calculation in relation to his own calculations in Section V of his report. As I have discussed, each of Mr. Jenkins' calculations of purchase price is contrary to the wording and meaning of the Charter, and reflect faulty analysis of applicable theory and accounting. The standard Mr. Jenkins uses to evaluate the Willamette calculation is critically flawed. Thus, when Mr. Jenkins refers to the Willamette's purchase price as "overstating the purchase price" (page 33, paragraph 77) or a "windfall to the current owner" (page 37, paragraphs 89 and 90), he does so without any statement of the proper standard with which the purchase price under the Charter could

be compared. I would note that the purchase price must be determined in accordance with the Charter, regardless of any other standard that would typically apply. But if a comparison is to be made, then an effort should be made to estimate what the purchase price would be if there were no Charter.

Assuming that a Charter buyout provision did not exist, then, absent a negotiated sale, the Town would have to file a condemnation action to acquire the system. The standard of value in an eminent domain proceeding is fair market value. Fair market value should be determined in accordance with the Uniform Standards of Professional Appraisal Practice (“USPAP”). Mr. Jenkins did not perform a fair market valuation in his analysis.

Mr. Jenkins not only fails to present or discuss an appropriate fair market value standard with which to compare the results of a correct actual cost determination, he also fails to discuss the Oxford I and more recent Oxford case in which the Superior Court specifically noted that “In Oxford v. Oxford Water Co. (“Oxford”), the Supreme Judicial Court determined that ‘actual cost’ within the meaning of the charter refers to the ‘original cost, the amount of money originally paid, as distinguished from any estimated cost, such as fair market value, or depreciated value.’ 391 Mass. 581, 586 (1984).

The Charter’s language is not complicated or difficult to understand; it requires that one component of the purchase price be based on the actual cost of the property of the utility corporation, which can only mean the original cost of the utility’s water system assets. The language does not say or mean “actual equity investment” of stockholders, or “contributed equity” of stockholders, or “net plant”, all as used by Mr. Jenkins. Willamette’s use of gross plant is precisely consistent with the Charter, and accepted by court decisions in cases involving the Aquarion Mass Oxford water system. Mr. Jenkins presents defective analyses to contradict the language and meaning of the Charter; he fails to present a valid discussion of fair market value practice for any comparative purpose with the purchase price determination under the Charter; and he completely ignores relevant court decisions.

Mr. Jenkins also complains that because Willamette applied an interest rate of 10% to the actual cost of Aquarion Mass Hingham water system assets, and then “subtracting only dividends is insufficient.” Once again, criticizing Willamette for using the precise words and meaning in the Charter is simply not reasonable.

MR. JENKINS’ NET PLANT PURCHASE PRICE METHODOLOGY

Beginning on page 38 of his report, Mr. Jenkins provides his methodology for calculating a purchase price on the basis of “net plant.” The net plant reflects the actual original cost less accumulated depreciation. He then would add the results of a 10% interest rate applied to “Contributed Equity”, and then subtract dividends. Except for the deduction of dividends, the Charter does not say or mean net plant, or actual cost less depreciation, or allow the application of 10% to Contributed Equity. The Charter clearly refers to actual cost as being the actual cost of the corporate property of the utility company. Mr. Jenkins, however, states on page 40, paragraph 97, that “the amount of equity contributed to the Hingham Water System by its owners since 1879 can be found on financial statements.” This statement reflects an inaccurate description of the ownership of the corporate property. The Hingham Water system’s physical assets are owned by the Utility, now Aquarion Mass; the equity is owned by the stockholders who do not own the assets of the Hingham Water System. Mr. Jenkins’ calculation of “Net Plant Purchase Price” is in violation of the Charter’s language and meaning.

MR. JENKINS’ OPINION NO. 4

In His Opinion No. 4, Mr. Jenkins excludes cost associated with the Water Treatment Plant of Aquarion Mass CAP. Each of my criticisms discussed with respect his other opinions are applicable to Opinion No. 4 and need not be repeated here.

Conclusion

I find that Mr. Jenkins' report reflects erroneous interpretations of the Charter and, therefore, his calculations of purchase price are not consistent with the language and meaning of the Charter. The analyses he provides in support of his interpretations, as well as his calculations, contain significant errors and omissions as described above. Accordingly, Mr. Jenkins recommendations should be rejected.

Respectfully submitted,
GUASTELLA ASSOCIATES, LLC

A handwritten signature in black ink, appearing to read "John F. Guastella". The signature is written in a cursive style with a large initial "J" and "G".

John F. Guastella
President

SCHEDULES

Correction of Mr. Jenkins' Opinion No. 1 Calculation of Equity Attributable to the Hingham Water System

1) Mr. Jenkins Allocation of Equity

	EBITDA (2005)	EBITDA% (2005)	Gross Plant %, excl WTP (12/31/2005)	TEV Allocation	Company Specific Debt	Equity
AWCCT	\$ 75,591,146	88.1%		\$ 721,280,310	\$ 185,693,402	\$ 535,586,908
AWCNH	2,227,610	2.6%		21,255,548	9,948,529	11,307,019
Aquarion Capital	3,112,000	3.6%		29,694,276	24,120,000	5,574,276
AWCMA	4,904,474	5.7%		46,797,816	21,016,018	25,781,798
Hingham S.A.			54.29%	25,407,955	11,410,234	13,997,720
Oxford/Millbury S.A.			45.71%	21,389,861	9,605,784	11,784,077
	<u>\$ 85,835,230</u>	<u>100.0%</u>		<u>\$ 819,027,949</u>	<u>\$ 240,777,949</u>	<u>\$ 578,250,000</u>

Equity for Hingham Service Area + Aquarion Capital \$ 19,571,996

2) Correction to Mr. Jenkins' Equity Calculation

	EBITDA (2005)	EBITDA% (2005)	Gross Plant %, excl WTP (12/31/2005)	TEV Total	Company Specific Debt	Equity
AWCCT	\$ 75,591,146	88.1%				\$ 509,238,225
AWCNH	2,227,610	2.6%				15,006,839
Aquarion Capital	3,112,000	3.6%				20,964,748
AWCMA	4,904,474	5.7%				33,040,187
Hingham S.A.			54.29%			17,938,521
Oxford/Millbury S.A.			45.71%			15,101,667
	<u>\$ 85,835,230</u>	<u>100.0%</u>		<u>\$ 819,027,949</u>	<u>\$ 240,777,949</u>	<u>\$ 578,250,000</u>

Corrected Equity for Hingham Service Area + Aquarion Capital \$ 38,903,269

Equity Shortfall in Mr. Jenkins' Calculation \$ 19,331,273

Correction of Mr. Jenkins' Opinion No 1 Calculation of Purchase Price

1. Purchase Price Summary - per Mr. Jenkins

		Equity Investment	Cumulative Equity Investment	10% Interest	Dividends
		4/30/2007	19,571,996	19,571,996	
April 2007 Investment	\$ 19,571,996	12/31/2007	1,650,269	21,222,265	1,424,508
December 2007 Investment	1,650,269	12/31/2008		21,222,265	2,122,227
+10% Interest	14,157,867	12/31/2009		21,222,265	2,122,227
- Dividends	(7,237,092)	12/31/2010		21,222,265	2,122,227
+ Retirement of Debt (12/31/2013)	30,486,836	12/31/2011		21,222,265	2,122,227
	<u>\$ 58,629,876</u>	12/31/2012		21,222,265	2,122,227
		12/31/2013		21,222,265	2,122,227
					14,157,867
					7,237,092

2. Purchase Price Summary - To Correct Jenkins Debt Allocation Error

		Equity Investment	Cumulative Equity Investment	10% Interest	Dividends
		4/30/2007	38,903,269	38,903,269	
April 2007 Investment	\$ 38,903,269	12/31/2007	1,650,269	40,553,538	2,722,087
December 2007 Investment	1,650,269	12/31/2008		40,553,538	4,055,354
+10% Interest	27,054,210	12/31/2009		40,553,538	4,055,354
- Dividends	(7,237,092)	12/31/2010		40,553,538	4,055,354
+ Retirement of Debt (12/31/2013)	30,486,836	12/31/2011		40,553,538	4,055,354
	<u>\$ 90,857,492</u>	12/31/2012		40,553,538	4,055,354
		12/31/2013		40,553,538	4,055,354
					27,054,210
					7,237,092

3. Purchase Price Summary - To Include All Stockholder Investment

		Equity Investment	Cumulative Equity Investment	10% Interest	Dividends
		4/30/2007	38,903,269	38,903,269	
April 2007 Investment	\$ 38,903,269	12/31/2007	415,273	39,318,542	2,639,190
Additional Investment	10,102,026	12/31/2008	1,540,347	40,858,889	4,085,889
+10% Interest	29,611,806	12/31/2009	1,889,095	42,747,984	4,274,798
- Dividends	(7,237,092)	12/31/2010	2,166,378	44,914,362	4,491,436
+ Retirement of Debt (12/31/2013)	30,486,836	12/31/2011	580,088	45,494,450	4,549,445
	<u>\$ 101,866,844</u>	12/31/2012	1,210,732	46,705,181	4,670,518
		12/31/2013	2,300,113	49,005,295	4,900,529
					29,611,806
					7,237,092

Calculation to include Equity from Internally Generated Funds

	Common Stock	Paid in Capital	Retained Earnings	Depreciation	Total	Year over Year Increase
12/31/2006	2,387,035	7,039,864	5,082,031	14,044,558	28,553,489	
12/31/2007	2,387,035	8,897,384	2,730,506	15,157,236	29,172,160	618,672
12/31/2008	2,387,035	8,897,384	3,175,648	16,252,441	30,712,507	1,540,347
12/31/2009	2,387,035	8,897,384	3,780,673	17,536,511	32,601,602	1,889,095
12/31/2010	2,387,035	8,897,384	4,614,067	18,869,494	34,767,980	2,166,378
12/31/2011	2,387,035	8,897,384	3,914,761	20,148,889	35,348,068	580,088
12/31/2012	2,387,035	8,897,384	3,732,405	21,541,976	36,558,800	1,210,732
12/31/2013	2,387,035	8,897,384	4,620,966	22,953,528	38,858,913	2,300,113

**Correct Calculation of Contributed Equity Purchase Price
(Including WTP)**

Component	Amount
Contributed Equity:	
Common Stock	\$ 2,387,035
Paid-In Capital	8,897,384
Internally Generated Funds:	
Retained Earnings	4,614,067
Other (Depreciation)	18,869,494
Total Contributed Equity	<u>\$ 34,767,980</u>
Plus 10% Interest	-
Less Dividends	-
Plus Outstanding Debt	<u>38,858,913</u>
Corrected Contributed Equity Purchase Price	\$ 73,626,893

Correct Contributed Equity Purchase Price Methodology

Year	Stockholder Investment					Total	10% Return
	Common Stock	Paid-In Capital	Preferred Stock	Retained Earnings	Other Internal Funds		
1879	\$ 26,085	\$ -	\$ -	\$ -	\$ -	\$ 26,085	\$ 2,609
1880	80,000	-	-	-	-	80,000	8,000
1881	120,000	-	-	-	-	120,000	12,000
1882	120,000	-	-	-	-	120,000	12,000
1883	120,000	-	-	-	-	120,000	12,000
1884	120,000	-	-	-	-	120,000	12,000
1885	120,000	-	-	-	-	120,000	12,000
1886	120,000	-	-	-	-	120,000	12,000
1887	120,000	-	-	-	-	120,000	12,000
1888	120,000	-	-	-	-	120,000	12,000
1889	120,000	-	-	-	-	120,000	12,000
1890	120,000	-	-	-	-	120,000	12,000
1891	120,000	-	-	-	-	120,000	12,000
1892	120,000	-	-	-	-	120,000	12,000
1893	120,000	-	-	-	-	120,000	12,000
1894	120,000	-	-	-	-	120,000	12,000
1895	120,000	-	-	-	-	120,000	12,000
1896	120,000	-	-	-	-	120,000	12,000
1897	120,000	-	-	-	-	120,000	12,000
1898	120,000	-	-	-	-	120,000	12,000
1899	120,000	-	-	-	-	120,000	12,000
1900	120,000	-	-	-	-	120,000	12,000
1901	120,000	-	-	-	-	120,000	12,000
1902	120,000	-	-	-	-	120,000	12,000
1903	120,000	-	-	-	-	120,000	12,000
1904	150,000	-	-	-	-	150,000	15,000
1905	150,000	-	-	-	-	150,000	15,000
1906	150,000	-	-	-	-	150,000	15,000
1907	150,000	-	-	-	-	150,000	15,000
1908	150,000	-	-	-	-	150,000	15,000
1909	150,000	-	-	-	-	150,000	15,000
1910	300,000	-	-	-	-	300,000	30,000
1911	300,000	-	-	-	-	300,000	30,000
1912	300,000	-	-	-	-	300,000	30,000
1913	300,000	-	-	-	-	300,000	30,000
1914	300,000	-	-	-	-	300,000	30,000
1915	300,000	-	-	-	-	300,000	30,000
1916	300,000	-	-	-	-	300,000	30,000
1917	300,000	-	-	-	-	300,000	30,000
1918	300,000	-	-	-	-	300,000	30,000
1919	300,000	-	-	-	-	300,000	30,000
1920	300,000	-	-	-	-	300,000	30,000
1921	300,000	-	-	-	-	300,000	30,000
1922	300,000	-	-	-	-	300,000	30,000
1923	300,000	-	-	-	-	300,000	30,000
1924	300,000	-	-	-	-	300,000	30,000
1925	300,000	-	-	-	-	300,000	30,000
1926	300,000	-	-	-	-	300,000	30,000
1927	300,000	-	-	-	-	300,000	30,000
1928	440,000	100,000	-	69,723	-	609,723	60,972
1929	440,000	100,000	-	43,215	27,230	610,445	61,045
1930	440,000	102,523	-	92,475	34,344	669,342	66,934
1931	440,000	104,364	-	76,642	40,717	661,723	66,172
1932	440,000	104,903	-	63,464	45,948	654,316	65,432
1933	440,000	105,277	-	50,674	44,819	640,770	64,077
1934	440,000	105,277	-	49,791	44,819	639,887	63,989
1935	440,000	105,277	-	50,136	47,458	642,870	64,287
1936	440,000	105,277	-	47,592	49,209	642,078	64,208
1937	440,000	105,277	-	50,244	50,201	645,722	64,572
1938	440,000	105,277	-	49,239	51,941	646,456	64,646
1939	440,000	105,294	-	44,449	56,506	646,249	64,625
1940	440,000	105,478	-	48,459	64,828	658,765	65,876
1941	440,000	105,478	-	48,701	72,813	666,993	66,699
1942	440,000	100,000	-	48,573	83,925	672,498	67,250
1943	480,000	191,950	-	53,203	126,892	852,044	85,204
1944	480,000	191,950	-	57,781	143,766	873,498	87,350
1945	480,000	191,950	-	60,102	164,052	896,105	89,610
1946	480,000	191,950	-	57,587	183,353	912,890	91,289

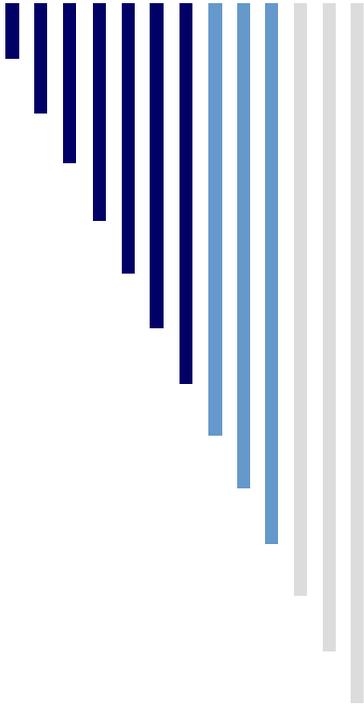
Correct Contributed Equity Purchase Price Methodology

1947	480,000	191,950	-	62,718	203,136	937,805	93,780
1948	480,000	191,950	-	60,099	221,088	953,137	95,314
1949	480,000	191,950	-	61,484	239,131	972,565	97,257
1950	480,000	191,950	-	70,468	258,654	1,001,073	100,107
1951	480,000	191,950	-	67,736	279,759	1,019,445	101,945
1952	480,000	191,950	-	66,843	303,884	1,042,678	104,268
1953	480,000	191,950	-	72,855	327,448	1,072,253	107,225
1954	480,000	191,950	200,000	93,526	353,147	1,318,623	131,862
1955	480,000	191,950	200,000	106,010	373,537	1,351,497	135,150
1956	480,000	191,950	196,000	117,184	383,763	1,368,897	136,890
1957	480,000	191,950	192,000	124,452	409,070	1,397,471	139,747
1958	546,700	225,300	188,000	128,967	445,586	1,534,553	153,455
1959	546,700	225,300	184,000	134,924	475,328	1,566,252	156,625
1960	546,700	225,300	180,000	132,702	502,101	1,586,803	158,680
1961	546,700	225,300	176,000	135,679	542,416	1,626,095	162,610
1962	546,700	225,300	172,000	147,051	577,990	1,669,042	166,904
1963	546,700	225,300	318,000	129,406	619,043	1,838,449	183,845
1964	546,700	225,300	314,000	144,694	647,340	1,878,034	187,803
1965	546,700	225,300	307,000	144,139	688,376	1,911,515	191,151
1966	546,700	225,300	300,000	128,909	730,334	1,931,243	193,124
1967	546,700	225,300	293,000	86,593	768,972	1,920,565	192,056
1968	546,700	225,300	286,000	79,626	826,845	1,964,472	196,447
1969	546,700	225,300	279,000	114,326	886,708	2,052,034	205,203
1970	546,700	225,300	272,000	114,459	944,743	2,103,202	210,320
1971	696,700	225,300	265,000	108,479	1,012,848	2,308,326	230,833
1972	696,700	225,300	254,000	66,647	1,052,104	2,294,752	229,475
1973	696,700	225,300	243,000	175,181	1,123,209	2,463,390	246,339
1974	696,700	225,300	232,000	103,763	1,199,734	2,457,497	245,750
1975	696,700	225,300	221,000	155,492	1,273,929	2,572,421	257,242
1976	696,700	225,300	210,000	165,913	1,351,735	2,649,648	264,965
1977	696,700	225,300	199,000	177,236	1,426,502	2,724,737	272,474
1978	696,700	225,300	188,000	172,249	1,505,580	2,787,829	278,783
1979	896,700	225,300	177,000	172,500	1,585,529	3,057,028	305,703
1980	896,700	225,300	166,000	206,675	1,661,419	3,156,094	315,609
1981	896,700	225,300	155,000	215,808	1,741,076	3,233,885	323,388
1982	896,700	225,300	144,000	169,685	1,796,063	3,231,749	323,175
1983	1,046,700	225,300	133,000	201,805	1,876,339	3,483,145	348,314
1984	1,046,700	225,300	122,000	329,398	1,969,512	3,692,909	369,291
1985	1,046,700	225,300	111,000	403,706	2,008,433	3,795,139	379,514
1986	1,046,700	225,300	100,000	398,183	2,124,038	3,894,221	389,422
1987	1,046,700	225,300	89,000	475,744	2,230,698	4,067,442	406,744
1988	1,046,700	225,300	-	771,140	2,393,337	4,436,477	443,648
1989	1,046,700	225,300	-	731,319	2,561,732	4,565,051	456,505
1990	1,493,060	545,004	-	666,707	2,736,566	5,441,337	544,134
1991	1,917,903	893,892	-	866,971	2,919,888	6,598,653	659,865
1992	1,917,903	893,892	-	965,911	3,106,082	6,883,787	688,379
1993	1,917,903	893,892	-	1,088,413	3,283,991	7,184,199	718,420
1994	1,917,903	893,892	-	1,156,116	3,471,674	7,439,585	743,958
1995	1,917,903	6,547,892	-	1,171,593	3,693,128	13,330,516	1,333,052
1996	1,917,903	6,547,892	-	1,461,894	4,151,666	14,079,355	1,407,936
1997	1,917,903	6,547,892	-	1,838,855	5,027,710	15,332,360	1,533,236
1998	2,387,035	7,039,864	-	1,722,542	5,906,148	17,055,589	1,705,559
1999	2,387,035	7,039,864	-	1,840,221	6,800,017	18,067,137	1,806,714
2000	2,387,035	7,039,864	-	2,962,521	7,686,973	20,076,394	2,007,639
2001	2,387,035	7,039,864	-	3,551,365	8,635,290	21,613,554	2,161,355
2002	2,387,035	7,039,864	-	3,158,817	9,658,422	22,244,138	2,224,414
2003	2,387,035	7,039,864	-	3,614,138	10,683,384	23,724,421	2,372,442
2004	2,387,035	7,039,864	-	3,759,733	11,774,610	24,961,242	2,496,124
2005	2,387,035	7,039,864	-	4,599,604	12,898,329	26,924,832	2,692,483
2006	2,387,035	7,039,864	-	5,082,031	14,044,558	28,553,489	2,855,349
2007	2,387,035	8,897,384	-	2,730,506	15,157,236	29,172,160	2,917,216
2008	2,387,035	8,897,384	-	3,175,648	16,252,441	30,712,507	3,071,251
2009	2,387,035	8,897,384	-	3,780,673	17,536,511	32,601,602	3,260,160
2010	2,387,035	8,897,384	-	4,614,067	18,869,494	34,767,980	3,476,798
2011	2,387,035	8,897,384	-	3,914,761	20,148,889	35,348,068	3,534,807
2012	2,387,035	8,897,384	-	3,732,405	21,541,976	36,558,800	3,655,880
2013	2,387,035	8,897,384	-	4,620,966	22,953,528	38,858,913	3,885,891
Total							\$ 63,682,852

Total Equity	38,858,913
Total Interest	63,682,852
Less Dividends	(16,585,742)
Plus Outstanding Debt	30,486,051
Purchase Price	<u>\$ 116,442,074</u>

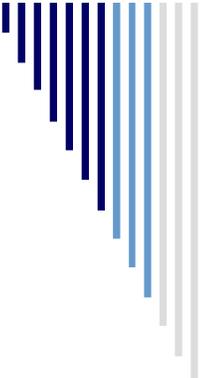
APPENDIX A

Qualifications & Experience



Rate Setting
Valuation
Management
Consulting

...SERVING REGULATED AND UNREGULATED WATER AND WASTEWATER UTILITIES SINCE 1978



INTRODUCTION

GUASTELLA ASSOCIATES, LLC

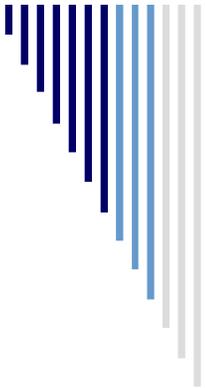
Guastella Associates, LLC (“formerly John F. Guastella Associates, Inc.”) is a consulting firm that specializes in providing utility rate setting, valuation and management services for public and privately-owned water and wastewater utilities.

John F. Guastella established Guastella Associates in 1978. Previously, Mr. Guastella was Director of the Water Division of the New York Public Service Commission. The Water Division provided the New York Commission with technical assistance in regulating the rates and service provided by approximately 450 privately-owned utilities. During the period from 1987 through 1991, Mr. Guastella also managed a 5,500 customer water utility in New York State. In 1989, Guastella Associates acquired the rates and valuation section of Coffin & Richardson, Inc., a general consulting firm that also provided a full range of services to water and wastewater utilities.

As can be seen from the following qualifications and experience, key staff members have many years of combined experience in virtually every aspect of utility rate setting and valuation. The technical expertise of key staff, combined with their former employment by real estate and utility companies, a regulatory agency, and the management of water utilities, provides a total perspective towards addressing the rates and valuation needs of today’s water and wastewater utilities.

Guastella Associates has assisted the largest privately-owned utilities with respect to the most challenging issues, performing complex studies and providing expert testimony in administrative hearings as well as court proceedings. In addition, our client base has included hundreds of small water and wastewater utilities - - obtaining rate increases that turn operating losses into profits, posturing them for financing, correcting record keeping errors and, for some, negotiating their sale at multiples of their original cost net investment rate base. Some of our most successful assignments have been to help establish new developer-related water and wastewater utilities, applying the correct principles at the outset in order to develop fully compensatory initial rates, record keeping procedures and asset management, so they are structured to become self-sustaining utilities that will achieve the highest possible profit and ultimate market value.

Our wide-range of experience and expertise has enabled us to successfully address the special needs of large investor-owned utilities in rate cases and condemnation proceedings. We bring the same high level of expertise to the small water and wastewater utilities, which is essential to their success, and at prices they can afford.



OUTLINE OF SERVICES

GUASTELLA ASSOCIATES, LLC

Guastella Associates, LLC (“formerly John F. Guastella Associates, Inc.”) is a consulting firm specializing in utility management, valuation, appraisals and rate determinations. Guastella Associates has been providing professional services to regulated and unregulated utilities since 1978.

Specific areas of expertise includes:

I. RATE ANALYSIS

A. Revenue Requirements

1. Examination of books and records -- revenues, expenses and capital investment.
2. Determination of the cost of providing service (revenue requirement) -- normalize historical data, establish known changes and perform projections.

B. Rate Design

1. Perform cost allocation studies to establish cost of service for residential, commercial, industrial, wholesale and fire protection customers, and for other special users.
2. Develop rate structures -- combine billing analyses and cost allocations to form usage rates, flat rates, minimum service and facilities charges, and such other special charges as connection fees, availability rates, etc.

C. Reports

1. Investor-owned utilities -- prepare complete rate filings for submission to regulatory agencies; prepare testimony, exhibits, and assist in all aspects of adjudication process.
 2. Municipal utilities -- prepare detailed rate reports in support of rate increases for use by municipal officials and presentation at municipal hearings.
-



OUTLINE OF SERVICES

GUASTELLA ASSOCIATES, LLC

II. VALUATIONS

A. Appraisals

1. Eminent domain condemnation proceedings, negotiations for sale of utilities, damage claims for insurance and ad valorem tax and management purposes.
2. Determinations of original cost, replacement cost, reproduction cost and market value, including going concern value.
3. Calculation of the present value of cash flow under the income approach to market value determinations.
4. Analyses of market data under the sales comparison approach.

B. Depreciation

1. Actuarial studies using retirement rate or simulated plant balances methods to determine average service lives of physical property, theoretical depreciation reserve requirements and depreciation rates.
2. Establish affordable depreciation rates on the basis of comparative analyses of similar property of other utilities and practices of regulatory agencies and association

C. Feasibility Studies

1. Utility acquisitions by investors and municipalities.
2. Economic studies to establish extension of service costs and policy -- inside and outside service area.
3. Main extension agreements, guaranteed revenue contracts, refund provisions.

D. Financial Planning

1. Establish financing requirements for capital improvements.
2. Determine revenue and rate needs for various combinations of debt and equity financing.
3. Assist certain utilities in securing financing.
4. Establish financing needs, initial rates and regulatory approval of proposed new utilities.

III. MANAGEMENT

A. Operations

1. Assist in day-to-day decisions as to utility accounting and related impact on rates.
2. Solve problems as to record keeping in accordance with regulatory requirements and prescribed systems of accounts.
3. Establish general policy and tariff provisions for customer service, billing, collecting, meter testing, complaint handling, and customer and regulatory relations.

B. Administrative

1. Coordinate activities with regulatory agencies to assure compliance with rules, regulations and orders.
2. Negotiations for purchase or sale of utility property and special contracts.

C. Training

1. On-the-job training for employees while working on various projects.
 2. Special educational seminars on all aspects of utility rate settings, financing, valuation and rules.
-

PROFESSIONAL QUALIFICATIONS AND EXPERIENCE
of
JOHN F. GUASTELLA

B.S., Mechanical Engineering, Stevens Institute of Technology, 1962

Member:

American Water Works Association, Lifetime Member
National Association of Water Companies
New England Water Works Association, Lifetime Member

Committees:

AWWA, Water Rates Committee (Manual M-1, 1983 Edition)
National Association of Regulatory Utility Commissioners (NARUC) and NAWC, Joint-Committee on Rate Design
NAWC, Rates and Revenues Committee
NAWC, Small Water Company Committee

Mr. Guastella is President of Guastella Associates, LLC (“formerly John F. Guastella Associates, Inc.”) which provides management, valuation and rate consulting services for municipal and investor-owned utilities, as well as regulatory agencies. His clients include utilities in the states of Alaska, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Maine, Maryland, Massachusetts, Missouri, Michigan, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Ohio, Pennsylvania, South Carolina, Texas, Rhode Island and Virginia. He has provided consulting services that include all aspects of utility regulation and rate setting, encompassing revenue requirements, revenues, operation and maintenance expenses, depreciation, taxes, return on investment, cost allocation and rate design. He has performed depreciation studies for the establishment of average service lives of utility property. He has performed appraisals of utility companies for management purposes and in connection with condemnation proceedings. He has also negotiated the sale of utility companies.

Mr. Guastella served for more than four years as President of Country Knolls Water Works, Inc., a water utility that served some 5,500 customers in Saratoga County, New York. He also served as a member of the Board of Directors of the National Association of Water Companies.

Mr. Guastella has qualified and testified as an expert witness before regulatory agencies and municipal jurisdictions in the states of Alaska, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Missouri, Montana, Nevada, New Hampshire, New Mexico, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas and Virginia.

Prior to establishing his own firm, Mr. Guastella was employed by the New York State Public Service Commission for sixteen years. For two years he was involved in the regulation of electric and gas utilities, with the remaining years devoted to the regulation of water utilities. In 1970, he was promoted to Chief of Rates and Finance in the Commission's Water Division. In 1972, he was made Assistant Director of the Water Division. In 1974, he was appointed by Alfred E. Kahn, then Chairman of the Commission, to be Director of the Water Division, a position he held until he resigned from the Commission in August 1978.

At the Commission, his duties included the performance and supervision of engineering and economic studies concerning rates and service of many public utilities. As Director of the Water Division, he was responsible for the regulation of more than 450 water companies in New York State and headed a professional staff of 32 engineers and three technicians. A primary duty was to attend Commission sessions and advise the Commission during its decision making process. In the course of that process, an average of about fifty applications per year would be reviewed and analyzed. The applications included testimony, exhibits and briefs

involving all aspects of utility valuation and rate setting. He also made legislative proposals and participated in drafting Bills that were enacted into law: one expanded the N.Y. Public Service Commission's jurisdiction over small water companies and another dealt specifically with rate regulation and financing of developer-related water systems.

In addition to his employment and client experience, Mr. Guastella served as Vice-Chairman of the Staff-Committee on Water of the National Association of Regulatory Utility Commissioners (NARUC). This activity included the preparation of the "Model Record-Keeping Manual for Small Water Companies," which was published by the NARUC. This manual provides detailed instruction on the kinds of operation and accounting records that should be kept by small water utilities, and on how to use those records.

Each year since 1974 he has prepared study material, assisted in program coordination and served as an instructor at the Eastern Annual Seminar on Water Rate Regulation sponsored over the years by the NARUC in conjunction with the University of South Florida, Florida Atlantic University, the University of Utah, Florida State University, the University of Florida and currently Michigan State University. In 1980 he was instrumental in the establishment of the Western NARUC Rate Seminar and has annually served as an instructor since that time. This course is recognized as one of the best available for teaching rate-setting principles and methodology. More than 7,000 students have attended this course, including regulatory staff, utility personnel and members of accounting, engineering, legal and consulting firms throughout the country.

Mr. Guastella served as an instructor and panelist in a seminar on water and wastewater regulation conducted by the Independent Water and Sewer Companies of Texas. In 1998, he prepared and conducted a seminar on basic rate regulation on behalf of the New England Chapter of the National Association of Water Companies. In 2000 and 2001, Mr. Guastella developed and conducted a special seminar for developer related water and wastewater utilities in conjunction with Florida State University, and again in 2003 in conjunction with the University of Florida. It provided essential training for the financial structuring of small water and wastewater utilities, rate setting, financing and the establishment of their market value in the event of a negotiated sale or condemnation. In 2004, he prepared and conducted a special workshop seminar on behalf of the Office of Regulatory Staff of South Carolina, covering rate setting, valuation and general regulation of water and wastewater utilities. In 2006, he participated in an expert workshop on full cost pricing conducted by the U. S. Environmental Protection Agency in coordination with the Institute of Public Utilities, Michigan State University. In 2006, he prepared and conducted a special seminar on rate setting and valuation on behalf of the New York Chapter of the NAWC. In 2007, he prepared and conducted a special seminar on rate setting and valuation on behalf of the New England Chapter of NAWC. In 2013, he prepared and conducted a special seminar on rate setting and valuation on behalf of the New York Chapter of NAWC

Mr. Guastella has made presentations on a wide variety of rate, valuation and regulatory issues at meetings of the National Association of Regulatory Utility Commissioners, the American Water Works Association, the New England Water Works Association, the National Association of Water Companies, the New England Conference of Public Utilities Commissioners, the Florida, New England, New Jersey and New York Chapters of NAWC, the Mid-America Regulatory Conference, the Southeastern Association of Regulatory Utility Commissioners, the Pennsylvania Environmental Conference, the Public Utility Law Section of the New Jersey Bar Association, and the NAWC Water Utility Executive Council.

John F. Guastella
List of Proceedings in which
Expert Testimony
was Presented

Year	Client	State	Regulatory Docket/Case Number
1966	Sunhill Water Corporation	New York	23968
1967	Amagansett Water Company	New York	24210
1967	Worley Homes, Inc.	New York	24466
1968	Amagansett Water Company	New York	24718
1968	Amagansett Water Company	New York	24883
1968	Sunhill Water Corporation	New York	23968
1968	Worley Homes, Inc.	New York	Supreme Court
1969	Amagansett Water Supply	New York	24883
1969	Citizens Water Supply Co.	New York	25049
1969	Worley Homes, Inc.	New York	24466/24992
1970	Brooklyn Union Gas Company	New York	25448
1970	Consolidated Edison of New York	New York	25185
1971	Hudson Valley Water Companies	New York	26093
1971	Jamaica Water Supply Company	New York	26094
1971	Port Chester Water Works, Inc.	New York	25797
1971	U & I Corp. - Merrick District	New York	26143
1971	Wanakah Water Company	New York	25873
1972	Spring Valley Water Company	New York	26226
1972	U & I Corp. - Woodhaven District	New York	26232
1973	Citizens Water Supply Company	New York	26366
1978	Rhode Island DPU&C (Bristol County)	Rhode Island	1367A
1979	Candlewick Lake Utilities Co.	Illinois	76-0218
1979	Candlewick Lake Utilities Co.	Illinois	76-0347
1979	Candlewick Lake Utilities Co.	Illinois	78-0151
1979	Jacksonville Suburban Utilities	Florida	770316-WS
1979	New York Water Service Corporation	New York	27594
1979	Salem Hills Sewerage Disposal Corp. v. V. of Voorheesville	New York	Supreme Court
1979	Seabrook Water Corporation	New Jersey	7910-846
1979	Southern Utilities Corporation	Florida	770317-WS
1979	Township of South Brunswick	New Jersey	Municipal
1979	Westchester Joint Water Works	New York	Municipal
1979	Woodhaven Utilities Corporation	Illinois	77-0109
1980	Crestwood Village Sewer Company	New Jersey	BPU 802-78
1980	Crestwood Village Water Company	New Jersey	BPU 802-77
1980	Gateway Water Supply Corporation	Texas	Municipal
1980	GWW-Central Florida District	Florida	800004-WS
1980	Jamaica Water Supply Company	New York	27587
1980	Rhode Island DPU&C (Newport Water)	Rhode Island	1480
1981	Briarcliff Utilities, Inc.	Texas	3620
1981	Candlewick Lake Utilities Co.	Illinois	81-0011
1981	Caroline Water Company, Inc.	Virginia	810065
1981	GDU, Inc. - Northport	Florida	Municipal
1981	GDU, Inc. - Port Charlotte	Florida	Municipal
1981	GDU, Inc. - Port Malabar	Florida	80-2192
1981	Hobe Sound Water Company	Florida	8000776
1981	Lake Buckhorn Utilities, Inc.	Ohio	80-999
1981	Lake Kiowa Utilities, Inc.	Texas	3621
1981	Lakengren Utilities, Inc.	Ohio	80-1001
1981	Lorelei Utilities, Inc.	Ohio	80-1000
1981	New York Water Service Corporation	New York	28042
1981	Rhode Island DPU&C (Newport Water)	Rhode Island	1581
1981	Shawnee Hills Utility Company	Ohio	80-1002
1981	Smithville Water Company, Inc.	New Jersey	808-541
1981	Spring Valley Water Company, Inc.	New York	27936
1981	Spring Valley Water Company, Inc.	New York	27936
1981	Sunhill Water Corporation	New York	27903
1981	Swan Lake Water Corporation	New York	27904
1982	Chesterfield Commons Sewer Company	New Jersey	822-84
1982	Chesterfield Commons Water Company	New Jersey	822-83
1982	Crescent Waste Treatment Corp.	New York	Municipal
1982	Crestwood Village Sewer Company	New Jersey	821-33
1982	Crestwood Village Water Company	New Jersey	821-38
1982	Salem Hills Sewerage Disposal Corp.	New York	Municipal
1982	Township of South Brunswick	New Jersey	Municipal
1982	Woodhaven Utilities Corporation	Illinois	82-0167
1983	Country Knolls Water Works, Inc.	New York	28194
1983	Heritage Hills Water Works Corp.	New York	28453
1984	Crestwood Village Sewer Company	New Jersey	8310-861
1984	Crestwood Village Water Company	New Jersey	8310-860
1984	Environmental Disposal Corp.	New Jersey	816-552
1984	GDU, Inc. - Port St. Lucie	Florida	830421
1984	Heritage Village Water (water/sewer)	Connecticut	84-08-03
1984	Hurley Water Company, Inc.	New York	28820
1984	New York Water Service Corporation	New York	28901
1985	Deltona Utilities (water/sewer)	Florida	830281
1985	J. Filiberto Sanitation, Inc.	New Jersey	8411-1213
1985	Sterling Forest Pollution Control	New York	Municipal
1985	Water Works Enterprise, Grand Forks	North Dakota	Municipal
1986	GDU, Inc. - Port Charlotte	Florida	Municipal
1986	GDU, Inc. - Sebastian Highlands	Florida	Municipal
1986	Kings Grant Water/Sewer Companies (settled)	New Jersey	WR8508-868
1986	Mt. Ebo Sewage Works, Inc.	New York	Municipal
1986	Sterling Forest Pollution Control	New York	Municipal
1987	Country Knolls Water Works, Inc.	New York	29443
1987	Crestwood Village Sewer Co. (settled)	New Jersey	WR8701-38

John F. Guastella
List of Proceedings in which
Expert Testimony
was Presented

Year	Client	State	Regulatory Docket/Case Number
1987	Deltona Utilities - Marco Island	Florida	850151-WS
1987	Deltona Utilities, Inc. - Citrus Springs (settled)	Florida	870092-WS
1987	First Brewster Water Corp. v. Town of Southeast (settled)	New York	Supreme Court
1987	GDU, Inc. - Silver Springs Shores	Florida	870239-WS
1987	Ocean County Landfill Corporation	New Jersey	SR-8703117
1987	Palm Coast Utility Corporation	Florida	870166-WS
1987	Sanlando Utilities Corp. (settled)	Florida	860683-WS
1987	Township of South Brunswick	New Jersey	Municipal
1987	Woodhaven Utilities Corp. (settled)	Illinois	87-0047
1988	Crescent Estates Water Co., Inc.	New York	88-W-035
1988	Elizabethtown Water Co.	New Jersey	OAL PUC3464-88
1988	Heritage Village Water Company	Connecticut	87-10-02
1988	Instant Disposal Service, Inc.	New Jersey	SR-87080864
1988	J. Filiberto Sanitation v. Morris County Transfer Station	New Jersey	01487-88
1988	Ohio Water Service Co.	Ohio	86-1887-WW-CO1
1988	St. Augustine Shores Utilities	Florida	870980-WS
1989	Elizabethtown Water Co.	New Jersey	BPU WR89020132J
1989	GDU (FPSC generic proceeding as to rate setting procedures)	Florida	880883-WS
1989	Gordon's Corner Water Co.	New Jersey	OAL PUC479-89
1989	Heritage Hills Sewage Works	Connecticut	Municipal
1989	Heritage Village Water Company	Connecticut	87-10-02
1989	Palm Coast Utility Corporation	Florida	890277-WS
1989	Southbridge Water Supply Co.	Massachusetts	DPU 89-25
1989	Sterling Forest Water Co.	New York	PSC 88-W-263
1990	American Utilities, Inc. - United States Bankruptcy Court	New Jersey	85-00316
1990	City of Carson City	Nevada	Municipal
1990	Country Knolls Water Works, Inc.	New York	90-W-0458
1990	Elizabethtown Water Company	New Jersey	WR900050497J
1990	Kent County Water Authority	Rhode Island	1952
1990	Palm Coast Utility Corporation	Florida	871395-WS
1990	Southern States Utilities, Inc.	Florida	Workshop
1990	Trenton Water Works	New Jersey	WR90020077J
1990	Waste Management of New Jersey	New Jersey	SE 87070552
1990	Waste Management of New Jersey	New Jersey	SE 87070566
1991	City of Grand Forks	North Dakota	Municipal
1991	Gordon's Corner Water Co.	New Jersey	OAL PUC8329-90
1991	Southern States Utilities, Inc.	Florida	900329-WS
1992	Elizabethtown Water Co.	New Jersey	WR 91081293J
1992	General Development Utilities, Inc. - Port Malabar Division	Florida	911030-WS
1992	General Development Utilities, Inc. - West Coast Division	Florida	911067-WS
1992	Heritage Hills Water Works, Inc.	New York	92-2-0576
1993	General Development Utilities, Inc. - Port LaBelle Division	Florida	911737-WS
1993	General Development Utilities, Inc. - Silver Springs Shores	Florida	911733-WS
1993	General Waterworks of Pennsylvania - Dauphin Cons. Water Supply	Pennsylvania	R-00932604
1993	Kent County Water Authority	Rhode Island	2098
1993	Southern States Utilities - FPSC Rulemaking	Florida	911082-WS
1993	Southern States Utilities - Marco Island	Florida	920655-WS
1994	Capital City Water Company	Missouri	WR-94-297
1994	Capital City Water Company	Missouri	WR-94-297
1994	Elizabethtown Water Company	New Jersey	WR94080346
1994	Elizabethtown Water Company	New Jersey	WR94080346
1994	Environmental Disposal Corp.	New Jersey	WR94070319
1994	General Development Utilities - Port Charlotte	Florida	940000-WS
1994	General Waterworks of Pennsylvania	Pennsylvania	R-00943152
1994	Hoosier Water Company - Mooresville Division	Indiana	39839
1994	Hoosier Water Company - Warsaw Division	Indiana	39838
1994	Hoosier Water Company - Winchester Division	Indiana	39840
1994	West Lafayette Water Company	Indiana	39841
1994	Wilmington Suburban Water Corporation	Delaware	94-149 (stld)
1995	Butte Water Company	Montana	Cause 90-C-90
1995	Heritage Hills Sewage Works Corporation	New York	Municipal
1996	Consumers Illinois Water Company	Illinois	95-0342
1996	Elizabethtown Water Company	New Jersey	WR95110557
1996	Palm Coast Utility Corporation	Florida	951056-WS
1996	PenPac, Inc.	New Jersey	OAL-00788-93N
1996	Southern States Utilities, Marco Island	Florida	950495-WS
1997	Crestwood Village Water Company	New Jersey	BPU 96100739
1997	Indiana American Water Co., Inc.	Indiana	IURC 40703
1997	Missouri-American Water Company	Missouri	WR-97-237
1997	South County Water Corp	New York	97-W-0667
1997	United Water Florida	Florida	960451-WS
1998	Consumer Illinois Water Company	Illinois	98-0632
1998	Consumers Illinois Water Company	Illinois	97-0351
1998	Heritage Hills Water Company	New York	97-W-1561
1998	Missouri-American Wastewater Company	Missouri	SR-97-238
1999	Consumers Illinois Water Company	Illinois	99-0288
1999	Environmental Disposal Corp.	New Jersey	WR99040249
1999	Indiana American Water Co., Inc.	Indiana	IURC 41320
2000	South Haven Sewer Works, Inc.	Indiana	Cause: 41410
2000	Utilities Inc. of Maryland	Maryland	CAL 97-17811
2001	Artesian Water Company	Delaware	00-649
2001	Citizens Utilities Company	Illinois	01-0001
2001	Elizabethtown Water Company	New Jersey	WR-0104205
2001	Kiawah Island Utility, Inc.	South Carolina	2001-164-W/S
2001	Placid Lakes Water Company	Florida	011621-WU

John F. Guastella
List of Proceedings in which
Expert Testimony
was Presented

Year	Client	State	Regulatory Docket/Case Number
2001	South Haven Sewer Works, Inc.	Indiana	41903
2001	Southlake Utilities, Inc.	Florida	981609-WS
2002	Artesian Water Company	Delaware	02-109
2002	Consumers Illinois Water- Grant Park	Illinois	02-0480
2002	Consumers Illinois Water- Village Woods	Illinois	02-0539
2002	Valencia Water Company	California	02-05-013
2003	Consumers Illinois Water - Indianola	Illinois	03-0069
2003	Elizabethtown Water Company	New Jersey	WR-030-70510
2003	Golden Heart Utilities, Inc.	Alaska	U-02-13, 14 & 15
2003	Utilities, Inc. - Georgia	Georgia	CV02-0495-AB
2004	Aquarion Water Company	Connecticut	04-02-14
2004	Artesian Water Company	Delaware	04-42
2004	El Dorado Utilities, Inc.	New Mexico	D-101-CU-2004-
2004	Environmental Disposal Corp.	New Jersey	DPU WR 03 070509
2004	Heritage Hills Water Company	New York	03-W-1182
2004	Sun Valley Water & Washoe County Dept. of Water Revenues	Nevada	TMWA Municipal
2004	Jersey City MUA	New Jersey	Municipal
2004	Rockland Electric Company	New Jersey	EF02110852
2005	Aquarion Water Company	New Hampshire	DW 05-119
2005	Intercoastal Utilities, Inc.	Florida	04-0007-0011-0001
2005	Haig Point Utility Company, Inc.	South Carolina	2005-34-W/S
2005	South Central Connecticut Regional Water Auth.	Connecticut	Municipal
2006	Pennichuck Water Works, Inc.	New Hampshire	DW-04048
2006	Village of Williston Park	New York	Municipal
2006	Jersey City MUA	New Jersey	Municipal
2006	Groton Utilities	Connecticut	Municipal
2006	Connecticut Water Company	Connecticut	06-07-08
2006	Birmingham Utilities, Inc.	Connecticut	06-05-10
2006	Aqua Florida Utilities, Inc.	Florida	060368-WS
2007	Aquarion Water Company of CT	Connecticut	07-05-19
2007	Pennichuck Water Works, Inc.	New Hampshire	DW 04-048
2007	Aqua Indiana - Utility Center	Indiana	43331
2007	Environmental Disposal Corp.	New Jersey	WR 04 080760
2007	Aqua Florida Utilities, Inc.	Florida	07-0183
2007	Aqua Illinois, Inc. - Hawthorn Woods, Willowbrook & Vermilion	Illinois	07-0620/07-0621/08-0067
2008	Aqua Florida Utilities, Inc.	Florida	080121-WS
2008	Aquarion Water Company of MA	Massachusetts	D.P.U. 08-27
2008	Haig Point Utility Company, Inc.	South Carolina	2007-414-WS
2009	R.M.V. Land & C.M. Livestock, L.C.C.	New Jersey	EM02050313
2010	City of Griffin	Georgia	Civil Action No. 09V-2866
2010	Connecticut Water Company	Connecticut	09-12-11
2010	Montville WPCA	Connecticut	1400012464
2010	Milford Water Company	Massachusetts	DPU 10-78
2010	Arizona American Water Company	Arizona	W-01303A-10-0448
2011	Aqua Illinois	Illinois	ICC Docket (Consolidated)
2011	Artesian Water Company	Maryland	MPSC Case 9252
2011	Artesian Water Company	Delaware	PSC 11-207
2011	Kiawah Island Utility, Inc.	South Carolina	2011-317-WS
2012	Washington Gas Light	Maryland	Senate SB541
2012	Washington Gas Light	Maryland	House HB662
2012	Daufuskie Island Utility	South Carolina	2011-229-W/S
2012	Milford Water Company	Massachusetts	DPU 12-86
2013	Artesian Water Company	Pennsylvania	2:10-CV-07453-JP
2013	Aquarion Water Company	Massachusetts	CA 09-00592E
2013	Water Management Services	Florida	110200-WU
2013	City of Fernandina Beach	Florida	Civil Action No. 13CA000485AXYX
2013	City of Elizabeth	New Jersey	Docket Nos. UNN-L-0556-10 and UNN-L- 2608-11
2014	Daufuskie Island Utility Company, Inc.	South Carolina	Case No. 2013-CP-07-02255
2014	Artesian Water Company	Delaware	Docket No. PSC 14-132

Papers and Presentations

By

John F. Guastella

Year	Title	Forum
1974 through 2014	1. Basics of Rate Setting 2. Cost Allocation and Rate Design 3. Revenue Requirements	Semi-annual seminars on utility rate regulation, National Association of Regulatory Utility Commissioners, sponsored by the University of South Florida, the University of Utah, Florida State University, The University of Florida and currently Michigan State University
1974	Rate Design Studies: A Regulatory Point-of-View	Annual convention of the National Association of Water Companies, New Haven, Connecticut
1976	Lifeline Rates	Annual convention of the National Association of Water Companies, Chattanooga, Tennessee
1977	Regulating Water Utilities: The Customers' Best Interest	Annual symposium of the New England Conference of Public Utilities Commissioners, Mystic Seaport, Connecticut
1978	Rate Design: Preaching v. Practice	Annual convention of the National Association of Water Companies, Baton Rouge, Louisiana
1979	Small Water Companies	Annual symposium of the New England Conference of Public Utilities Commissioners, Newport, Rhode Island
1979	Rate Making Problems Peculiar to Private Water and Sewer Companies	Special educational program sponsored by Independent Water and Sewer Companies of Texas, Austin, Texas
1980	Water Utility Regulation	Annual meeting of the National Association of Regulatory Utility Commissioners, Houston, Texas
1981	The Impact of Water Rates on Water Usage	Annual Pennsylvania Environmental Conference, Harrisburg, Pennsylvania
1981	A Realistic Approach to Regulating Water Utilities	Mid-America Regulatory Conference, Clarksville, Indiana
1982	Issues in Water Utility Regulation	Annual symposium of the New England Conference of Public Utilities Commissioners, Rockport, Maine
1982	New Approaches to the Regulation of Water Utilities	Southeastern Association of Regulatory Utility Commissioners, Asheville, North Carolina
1983	Allocating Costs and Revenues Fairly and Effectively	Maryland Water and Sewer Finance Conference, Westminster, Maryland
1983	Lifeline and Social Policy Pricing	Annual conference of the American Water Works Association, Las Vegas, Nevada (published)
1984	The Real Cost of Service: Some Special Considerations	Annual New Jersey Section AWWA Spring Meeting, Atlantic City, New Jersey
1987	Margin Reserve: It's Not the Issue	Florida Waterworks Association Newsletter, April/May/June 1987 issue
1987	A "Current" Issue: CIAC	NAWC - New England Chapter November 6, 1987 meeting
1988	Small Water Company Rate Setting: Take It or Leave It	NAWC - New York Chapter June 14, 1988 meeting
1989	The Solution to all the Problems of Good Small Water Companies	NAWC Quarterly magazine, Winter issue
1989	Current Issues Workshop - Panel	New England Conference of Public Utilities Commissioners, Kennebunkport, Maine
1991	Alternative Rate Structures	New Jersey Section 1991 Annual Conference, AWWA, Atlantic City, New Jersey
1994	Conservation Impact on Water Rates	New England NAWC and New England AWWA, Sturbridge, Massachusetts

Papers and Presentations

By

John F. Guastella

Year	Title	Forum
1996	Utility Regulation - 21st Century	NAWC Annual Meeting, Orlando, Florida
1997	Current Status Drinking Water State Revolving Fund	NAWC Annual Meeting, San Diego, California
1998	Small Water Companies - Problems and Solutions	NAWC Annual Meeting, Indianapolis, Indiana
1998	Basic Rate Regulation Seminar	New England Chapter - NAWC, Rockport, Maine
2000	Developer Related Water and Sewer Utilities Seminar	Florida State University, Orlando, Florida
2001	Developer Related Water and Sewer Utilities Seminar	Florida State University, Orlando, Florida
2002	Regulatory Cooperation - Small Company Education	New England Chapter - NAWC, Annual Meeting
2003	Developer Related Water and Sewer Utilities Seminar	University of Florida, Orlando, Florida
2004	Basic Regulation & Rate Setting Training Seminar	Office of Regulatory Staff, Columbia, South Carolina
2005	Municipal Water Rates	Nassua-Suffolk Water Commissioners Association, Franklin Square, New York
2005	Innovations in Rate Setting and Procedures	NAWC New York Chapter, West Point, New York
2006	Basics of Rate Setting	The Connecticut Water Company, Clinton, Connecticut
2006	Innovations in Rate Setting and Procedures	NAWC New York Chapter, Catskill, New York
2006	Best Practices as Regulatory Policy	NAWC New England Chapter, Ogunquit, Maine
2006	Rate and Valuation Seminar	NAWC New York Chapter
2006	Full Cost Pricing	U.S. Environmental Protection Agency Expert Workshop, Lansing, Michigan
2006	Innovations in Rate Setting	NAWC New England Chapter, Portsmouth, New Hampshire
2007	Weather Sensitive Customer Demands	NAWC Water Utility Executive Council, Half Moon Bay, California
2007	Basics of Rate Setting and Valuation Seminar	NAWC New England Chapter, Ogunquit, Maine
2007	Small Company Characteristics	National Drinking Water Symposium, La Jolla, California
2013	Rate and Valuation Seminar	NAWC New York Chapter