

JOE A. CONNER, SHAREHOLDER  
**Direct Dial:** 423.752.4417  
**Direct Fax:** 423.752.9527  
**E-Mail Address:** [jconner@bakerdonelson.com](mailto:jconner@bakerdonelson.com)

July 2, 2012

Kerry T. Ryan, Esq.  
Morrissey, Wilson & Zafiroopoulos, LLP  
35 Braintree Hill Office Park  
Suite 404  
Braintree, MA 02184

Re: Aquarion Water Company Pricing And Valuation Reports

Dear Kerry:

During the period leading up to the town meeting on April 23, 2012, Aquarion Water Company ("Aquarion") announced that it would provide the town with a pricing report reflecting the cost of the corporate property, rights and privileges that comprise the Hingham Water System (the "System") pursuant to the terms of the formula set forth in the 1879 Charter (the "Charter"). As you are aware, under Massachusetts law, Aquarion would not be required to produce expert reports of this nature in any subsequent litigation related to the acquisition of the system by the town. Accordingly, this is a significant step by Aquarion and demonstrates the level of transparency and cooperation that the company is committed to throughout this process. While we had hoped to have this information prepared and submitted by June 15, the scope of the work after the town meeting was significantly increased in order to address other pricing and valuation issues related to the inquiry by the town. In our previous discussions when I advised you of the expanded scope of the reports, you understood and acknowledged the need for additional time to complete the work.

At our meeting with representatives from the Water Company Acquisition Study Committee (the "Committee") on June 20, the Committee representatives requested the opportunity to review the reports prior to the public presentation that we intend to make to the Committee on July 11. It is our understanding that the purpose of supplying the reports is solely to allow the Committee members, as well as the Selectmen, an opportunity to review the data prior to July 11, and that there is no intent for them to either publicly comment on the substance of the reports or publicly release the reports in advance of the July 11 meeting.

Additionally, at the meeting on June 20, you confirmed that there were three basic options concerning the acquisition of the Hingham Water System assets that should be considered by the

Committee. We have prepared the reports in such a manner so as to facilitate the discussion with respect to those three options. The three options include:

- Option 1: Acquisition of the corporate property, all rights and privileges of the System pursuant to the formula price calculation prescribed by the 1879 Charter.
- Option 2: Acquisition of the corporate property, all rights and privileges pursuant to the formula price calculation prescribed by the 1879 Charter exclusive of the water treatment plant, plus the fair market value of the water treatment plant assuming acquisition by eminent domain.
- Option 3: Acquisition of the corporate property, all rights and privileges at the formula price prescribed by the 1879 Charter exclusive of the water treatment plant, plus the assumption of the existing lease of the water treatment plant.

In order to analyze the resulting price/valuation under the three options, Aquarion retained Willamette Management Associates to perform a formula price analysis related to the potential purchase of the System by the town pursuant to the formula price prescribed by the 1879 Charter (The "Pricing Report"). The Pricing Report was prepared in two parts. First, the analysis assumes the water treatment plant is acquired along with all the other corporate property, rights and privileges under the Charter formula. Second, the water treatment plant was removed from the formula price analysis.

Willamette Management Associates was also engaged to perform an appraisal of the fair market value of the water treatment plant assuming it is acquired through an eminent domain action (the "WTP Appraisal"). As part of this analysis, Willamette Management Associates relied upon a valuation report prepared by Hatch, Mott MacDonald ("Hatch Mott") for the cost approach. Hatch Mott performed a replacement cost new less depreciation analysis. The Hatch Mott analysis is incorporated in the WTP Appraisal and can be found under Appendix C to the report.

Under Option 3, which would include acquiring the Hingham distribution system (Option 2) and assumption of the lease of the water treatment plant, customers would still be responsible for the same monthly surcharges that they are currently paying to Aquarion. For example under this analysis, the town would be responsible for paying \$84.3 million for the System (without the treatment plant), plus the assumption of the water treatment plant lease (the "Lease"). At the termination date of the Lease, the town would not have the right to acquire the plant. The projected lease payment schedule for the balance of the initial Lease term (through 2035) is attached as Appendix E to the WTP Appraisal and reflects total lease payments in excess of \$110 million.

I am in the process of assembling the non-confidential source documents that were relied upon in preparation of the reports. At this point, I am anticipating downloading the documents to an FTP site

July 2, 2012

Page 3

that you will have direct access to rather than trying to produce paper copies of all the backup information. Some of the source documents are in original files which we will be glad to make available at a reasonable time for inspection at the Bridgeport, Connecticut office of Aquarion Water.

In conjunction with voluntarily providing these reports, Aquarion does not waive and specifically reserves all factual and legal defenses, rights and claims that it may have the ability to raise and/or assert in any subsequent legal proceeding between Aquarion and the town. In particular, a number of instructions were given and assumptions were made in the preparation of the reports for demonstrative purposes. Any such instructions or assumptions are not intended to preclude Aquarion from asserting any legal defense, right or claim in any subsequent legal proceeding between the town and the company.

We look forward to the opportunity to present more details and information related to these reports to the public and to the Committee at its meeting on July 11 at 7 p.m. in the Town Hall auditorium. In addition, we would like to invite the Committee, the Selectmen and members of the Advisory Committee, to a plant and facility tour at 1 p.m. on July 11 prior to the evening meeting.

If you should have any questions, please do not hesitate to contact me.

Very truly yours,



Joe A. Conner  
For the Firm

JAC:et

cc: Water Company Acquisition Study Committee  
Ted Alexiades  
The Board of Selectmen