

COMMONWEALTH OF MASSACHUSETTS

SUFFOLK, SS

SUPERIOR COURT  
C.A. NO. SUCV2013-03159-BLS2

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TOWN OF HINGHAM,

Plaintiff,

v.

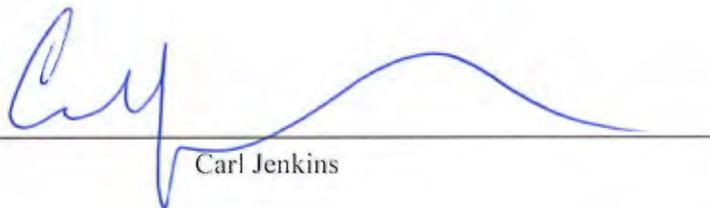
AQUARION WATER COMPANY  
OF MASSACHUSETTS, INC., and  
AQUARION WATER CAPITAL  
OF MASSACHUSETTS, INC.,

Defendants.

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**Rebuttal Expert Report of Carl Jenkins**  
**Duff & Phelps, LLC**

**October 16, 2014**



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Carl Jenkins

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## **Glossary / Terms Used in this Report**

Aquarion: Aquarion Company, the parent company of Aquarion Water Company of Massachusetts and Aquarion Water Capital of Massachusetts, Inc.

Aquarion Capital: Aquarion Water Capital of Massachusetts, Inc., the current owner of the Water Treatment Plant. Aquarion Capital was formerly known as the Massachusetts Capital Resources Company.

AWCMA: Aquarion Water Company of Massachusetts, a wholly-owned subsidiary of Aquarion Company. AWCMA was formerly known as the Massachusetts-American Water Company. AWCMA was the surviving entity of the 1989 merger of Massachusetts-American Water Company and Oxford Water Company into the Hingham Water Company.

AWW: American Water Works Company, Inc.

Calculation Date: December 31, 2013.

Contributed Equity: The actual equity capital raised by the Hingham Water Company and invested into the Hingham Water System. The Contributed Equity can be calculated from the annual DPU reports as the sum of the Total Capital Stock, Premium on Capital Stock, and Surplus Invested in Plant accounts. 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.

Contributed Equity Purchase Price: 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.

CIAC: Contributions in Aid of Construction.

Duff & Phelps: Duff & Phelps, LLC.

EBITDA: Earnings before Interest, Taxes, Depreciation, and Amortization.

FASAB: The Financial Accounting Standards Advisory Board.

Greenwich Water System: Greenwich Water System, Inc., a former owner of the Hingham Water Company.

Gross Plant: the sum of the Plant Investments and General Equipment accounts in the DPU reports.

Guastella Report: The Review Report of John F. Guastella dated September 15, 2014.

Hingham: the Town of Hingham.

Hingham Service Area: the portion of Aquarion Water Company of Massachusetts serving Hingham, Hull, Cohasset, and Norwell.

Hingham Water System: the combination of the Hingham Service Area and the Water Treatment Plant.

Holdings: Aquarion Holdings, a wholly-owned subsidiary of Macquarie Utilities Inc. and the parent company of Aquarion Company.

Jenkins Expert Report: the Expert Report of Carl Jenkins dated June 30, 2014.

Kelda: Kelda Group plc, a former owner of Aquarion Company.

Mass DPU: the Massachusetts Department of Public Utilities.

Mass-American: Massachusetts-American Water Company, currently known as AWCMA.

Mass Capital: the Massachusetts Capital Resources Company, currently known as Aquarion Capital.

Morrissey Wilson: Morrissey Wilson and Zafiropolous, LLP.

MUI: Macquarie Utilities Inc., the current owner of Aquarion Company (through Aquarion Holdings).

Net Plant: Gross Plant less accumulated depreciation. In the DPU Reports, accumulated depreciation is referred to as depreciation reserve.

Net Plant Purchase Price: the Purchase Price of the Hingham Water System based on the Net Plant of the Hingham Water System.

Opinion No. 1: the first opinion in the Jenkins Expert Report. Opinion No. 1 calculates the Purchase Price of the Hingham Water System based on the actual equity invested by the current controlling owner.

Opinion No. 2: the second opinion in the Jenkins Expert Report. Opinion No. 2 calculates the Contributed Equity Purchase Price based on the books and records of the Hingham Water System back to 1879, and incorporates all actual equity invested into the Hingham Water System since 1879.

Opinion No. 3: the third opinion in the Jenkins Expert Report. Opinion No. 3 corrects the Willamette Purchase Price for a number of errors, and calculates the Net Plant Purchase Price based on the Net Plant of the Hingham Water System and a return on Contributed Equity.

Oxford/Millbury Service Area: the portion of Aquarion Water Company of Massachusetts serving Oxford and Millbury.

Purchase Price: the Purchase Price of the Hingham Water System.

Reilly Purchase Price Report: The Formula Purchase Price Analysis of the Hingham Water System as of June 30, 2014, signed by Robert F. Reilly

Reilly Purchase Price: The concluded Purchase Price for the Hingham Water System including the Water Treatment Plant of \$192.07 million presented in the Reilly Purchase Price Report.

Reilly WTP Report: The Market Value of the Aquarion Water Capital of Massachusetts, Inc. Water Treatment Plant Improvements as of June 30, 2014 Summary Appraisal Report

The Reilly Reports: The Reilly Purchase Price Report and Reilly WTP Report

Statute: Chapter 139 of the Massachusetts Acts of 1879.

TEV: Total Enterprise Value, the market value of a business. It is the sum of debt and equity in a business.

Town: the Town of Hingham.

Water Treatment Plant: the water treatment facility located in Hingham, currently owned by Aquarion Water Capital of Massachusetts, Inc.

Willamette: Willamette Management Associates.

Willamette Report: The Formula Purchase Price Analysis of the Hingham Water System as of December 31, 2011 prepared by Willamette Management Associates.

Willamette Purchase Price: The Purchase Price calculated by Willamette Management Associates in the Willamette Report.

## I. Introduction

1. Duff & Phelps, LLC (“Duff & Phelps”) has been retained by the Town of Hingham (“Hingham” or the “Town”) and Morrissey Wilson and Zafiropolous, LLP (“Morrissey Wilson”), counsel to the Town, to address the purchase price (the “Purchase Price”) of the water system in Hingham (the “Hingham Water System”) under Chapter 139 of the Massachusetts Acts of 1879 (the “Statute”) as of December 31, 2013 (the “Calculation Date”), and thereafter. My analysis and opinions regarding the financial implementation of the Purchase Price of the Hingham Water System under the Statute were provided in my Expert Report (the “Jenkins Expert Report”) dated June 30, 2014.
2. At the request of Morrissey Wilson, I have reviewed and critiqued the following reports:
  - The Formula Purchase Price Analysis of the Hingham Water System as of June 30, 2014, signed by Robert F. Reilly (“Reilly Purchase Price Report”);
  - The Market Value of the Aquarion Water Capital of Massachusetts, Inc. Water Treatment Plant Improvements as of June 30, 2014 Summary Appraisal Report (“Reilly WTP Report”); and
  - The Review Report of John F. Guastella (“Guastella Report”) dated September 15, 2014.

## II. Summary

3. The calculation of a Purchase Price under the Statute is necessarily complex. The Purchase Price Statute was written more than 130 years ago, as part of the Act Incorporating the Hingham Water Company. Since then, the Hingham Water Company has changed names twice, has merged with other water systems,<sup>1</sup> and has transferred a portion of the Water System to a separate corporate entity. The Hingham Water Company has changed ownership multiple times. These ownership changes have

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<sup>1</sup> The fact that the Hingham Water System has merged with other water systems has a significant impact on the practical implementation of the Town’s exercise of its right under the Statute. Had the Hingham Water System remained a separate, unmerged, entity, the Purchase Price could have reflected the amount necessary to provide the shareholders with their initial investment, plus a return, with the Town assuming any outstanding debt obligations. Alternatively, the Purchase Price could have reflected the amount necessary to allow both debt and equity holders to recover their investment, with interest, with the purchase price being used to pay off the outstanding debt. However, because the debt in the merged entity, AWCMA, is not specific to the Hingham Water System, it is not practical for the Town to assume the portion of the debt specific to the Hingham Water System. Therefore, it appears more practical that the Purchase Price reflect the amount necessary to compensate the equity holders for their investment, plus a return, and to allow the company to pay off the portion of the merged entity debt associated with the Hingham Water System.

occurred both at the operating company level,<sup>2</sup> and at the holding company level,<sup>3</sup> and were the result of transactions of the Hingham Water Company itself, and of transactions involving multiple other entities. These corporate changes have necessitated the allocation and estimation of certain items, such as dividends and debt, as part of the implementation of the Purchase Price calculation in the Statute.<sup>4</sup> So, while deconstructing these transactions in order to isolate only the financials of the Hingham Water Company is somewhat complex, the resultant calculation of the Purchase Price is relatively straightforward, reasonable, and fair.

4. Depreciation has been recognized by the company all the way back to when the Statute was written,<sup>5</sup> and to the extent that depreciation impacts the Purchase Price calculation, it needs to be considered. For example, the DPU has for a long time allowed investments in property to be recovered by the company through the depreciation expense.<sup>6</sup> Therefore, basing the Purchase Price on the original, undepreciated, cost of assets would result in double-recovery.
5. The Reilly Purchase Price Report and Reilly WTP Report (together the “Reilly Reports”) address the Purchase Price under the Statute as well as the Fair Market Value of the Water Treatment Facility. The Reilly Purchase Price Report results in a windfall to the Defendants considering the maximum 10 percent return specified in the Statute, contains errors, and incorrectly applies basic financial concepts. First, the concluded Purchase Price for the Hingham Water System including the Water Treatment

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<sup>2</sup> Direct ownership of the water company was first consolidated by F. L. Putnam & Co. around 1929. See Jenkins Expert Report at ¶29.

<sup>3</sup> Around 1936, American Water Works (“AWW”) was incorporated as a holding company for stocks and securities of water utility companies, and by 1949, AWW owned the Greenwich Water System, which in turn owned the Hingham Water Company. This holding company structure was subsequently eliminated in 2001, when Greenwich Water System merged into AWW prior to the sale of Mass-American to Kelda. See Jenkins Expert Report at ¶29-34.

<sup>4</sup> Mr. Reilly allocates dividends, contributions in aid of construction (“CIAC”), and customer advances as part of his purchase price calculation. See Reilly Purchase Price Report at p. 6-9.

<sup>5</sup> Rittenhouse Report [AQ-032105]. This report appears to be the first analysis of depreciation going all the way back to 1879 illustrating that the company recovered depreciation since the company was formed, with the first depreciation expense in the year ended June 30, 1884.

<sup>6</sup> D.P.U. 11-43 Order (March 30, 2012) at p. 199; D.P.U. 08-27 Order (March 31, 2009) at p. 110; D.P.U. 7768 Decision dated October 15, 1947 [AQ-WTP 006119-6124].

Plant of \$192.07 million presented in the Reilly Purchase Price Report (the “Reilly Purchase Price”) would create a windfall for the Defendants. From a financial perspective, a Purchase Price of over \$192 million, compared to an acquisition Total Enterprise Value (“TEV”) of approximately \$55 million, is unreasonable, would represent a return far in excess of the maximum 10 percent return specified in the Statute, and would create an obvious windfall for the Defendants. Second, the Reilly Purchase Price Report uses gross plant to calculate a Purchase Price. This approach results in double-recovery of costs, and grossly inflates the Purchase Price under the Statute. Third, the Reilly Purchase Price Report contains an apples-and-oranges analysis: applying interest to assets while only deducting dividends. From an accounting and financial perspective, this analysis is not appropriate. Dividends are returns to shareholders. Assets, however, are financed by both equity and debt investors. Debt investors already earn interest on their investment through annual interest payments. Therefore, calculating interest based on assets but deducting only dividends paid will result in the double-payment of debt interest. Fourth, the Reilly Purchase Price Report includes restricted cash as part of the calculation, which is inconsistent with his stated methodology of using “gross plant and equipment.”<sup>7</sup> Including restricted cash is also contrary to the methodology advocated by the Defendants’ own expert Mr. Guastella, who argues that the actual cost of the corporate property means the cost of the physical assets of the utility.<sup>8</sup> Overall, the calculations contained in the Reilly Purchase Price Report inflate the Purchase Price under the Statute, and correcting the issues contained in the Reilly Purchase Price Report results in a Purchase Price consistent with the maximum 10 percent return specified in the Statute, therefore avoiding a windfall for the Defendants.

6. The Reilly WTP Report contains an analysis of the market value of the Water Treatment Plant. I have been instructed by counsel that the market value of the Water Treatment Plant is irrelevant to the calculation of the Purchase Price of the Hingham Water System under the Statute. Therefore, I have

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<sup>7</sup> Reilly Purchase Price Report at p. 3.

<sup>8</sup> Guastella Report at p. 4.

not been asked to critique the Reilly WTP Report in its entirety, withholding any judgment as to the methods or inputs used by Mr. Reilly as part of his market value analysis. I note, however, several potential issues with the analysis, including the fact that the two indications of value Mr. Reilly relies upon for his market value estimate are more than \$20 million apart, and his decision to give a 90 percent weight to the higher of those two values.<sup>9</sup>

7. The Guastella Report criticizes my Expert Report filed in this matter as it relates to allocating value and calculating actual costs. However, Mr. Guastella's criticisms reflect a misunderstanding of basic financial theory, incorporate "corrections" that are simply wrong, and attempt to interpret the Statute to produce unreasonable financial results that would lead to a windfall for the Defendants over and above the maximum 10 percent return specified in the Statute. First, the Guastella Report "corrects" my calculations by allocating the equity invested by Macquarie Utilities, Inc. ("MUI") in the 2007 acquisition of the Hingham Water System using Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA"). Mr. Guastella's approach is incorrect. EBITDA is a financial metric before interest, and as a result does not reflect the impact of debt financing. Therefore, it should not be used to determine the value of equity, because equity is impacted by debt financing (Equity = Total Enterprise Value – Debt). Second, the Guastella Report concludes that depreciation is an equity investment, which again is inconsistent with basic financial theory. Depreciation is an accounting non-cash expense that is intended to reflect the economic cost of using an asset. It has the effect of reducing net asset value, thereby reducing the value of the company's equity. Depreciation expense is included in the rates charged to ratepayers, and allows the company to recover prior investments already made. Consequently, depreciation expense and depreciation allowances are not additional equity investments. Third, the Guastella Report argues that retained earnings is an equity investment. This, too, is inconsistent with basic finance. Retained earnings is an accounting metric that reflects accounting earnings that have not been returned as cash to investors. It is neither a measure of cash

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<sup>9</sup> Reilly WTP Report at p. 10.

nor a measure of investment, and it does not reflect any incremental equity investment made by shareholders. Fourth and finally, the Guastella Report interprets the meaning of “corporate property” in the Statute in a manner that conveniently results in a grossly inflated Purchase Price that is unreasonable from an accounting and economic perspective considering the maximum 10 percent return specified in the Statute. Mr. Guastella argues that the term “corporate property” as used in the Statute refers to just physical assets, and none of the other assets of the company. From an accounting and economic perspective, this interpretation of the Statute produces unreasonable results in both directions. That is, this approach results in an unreasonably low Purchase Price in certain scenarios and an unreasonably high Purchase Price in other scenarios, as will be illustrated subsequently. Conveniently for the Defendants, the current scenario produces an unreasonably high Purchase Price considering the maximum 10 percent return specified in the Statute and a windfall for the Defendants despite Mr. Guastella’s arguments.

### **III. The Reilly Purchase Price Report**

8. In my Expert Report, I critiqued Mr. Reilly’s Formula Purchase Price Analysis of the Hingham Water System dated June 29, 2012 (the “Willamette Report” as used in my Expert Report). Mr. Reilly’s Report dated September 15, 2014, presents a very similar analysis to the Willamette Report, and my response includes similar criticisms to those that I presented in Section VII of my initial report. I respond to the Reilly Purchase Price Report below. The Reilly Purchase Price methodology is unreasonable from an accounting and economic perspective, and creates a windfall for the Defendants. The key areas that I address are: (1) the use of gross plant vs. net plant, and the recovery of prior investment through the depreciation expense built into the company’s rates, and (2) the impact on the Purchase Price of incorporating returns on assets financed with debt, when in fact, returns to debtholders have already been paid. Correcting the errors in the Reilly Purchase Price Report results in a Purchase Price that is both significantly lower and significantly more reasonable from an accounting and economic perspective given the maximum 10 percent return specified in the Statute.

**A. Mr. Reilly's interpretation of the Statute produces unreasonable results**

9. Mr. Reilly claims that the corporate property assets consist of “gross plant and equipment.”<sup>10</sup> This is consistent with Mr. Guastella, who argues that it is “beyond dispute” that the Statute intends the Purchase Price to be based on the cost of the physical assets of the company, e.g., the pipes in the ground.<sup>11</sup> Despite the Statute stating that the Town of Hingham has the right to purchase “the corporate property, and all the rights and privileges,”<sup>12</sup> Mr. Reilly and Mr. Guastella appear to define these terms as strictly meaning the physical assets of the company. This definition would appear to exclude a number of items, including cash and working capital, from the “corporate property” that can be purchased by the Town under the Statute.<sup>13</sup> In contrast, I have assumed, based on direction by counsel, that “the corporate property, and all the rights and privileges” is not limited to only the physical assets, but all assets.
10. I am not offering an opinion as to the correct legal interpretation of the term “corporate property” as it is used in the Statute. However, I show that Mr. Reilly's definition results in an unreasonable Purchase Price from an accounting and economic perspective given the maximum 10 percent return specified in the Statute, using the early days of the company as an example.<sup>14</sup>

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<sup>10</sup> Reilly Purchase Price Report at p. 9-11.

<sup>11</sup> Guastella Report at p. 4.

<sup>12</sup> Massachusetts Acts of 1879, Chapter 139, p. 492.

<sup>13</sup> Mr. Reilly does include the restricted cash held at Aquarion Capital as part of his calculation, but provides no support or reasoning. Mr. Reilly does not include other cash balances held at AWCMA or Aquarion Capital, which on multiple occasions exceeded \$1 million.

<sup>14</sup> The Statute provides that “The Town of Hingham shall have the right at any time during the continuance of the charter hereby granted, to purchase the corporate property...” Therefore, the purchase price calculation should be able to be applied “at any time.”

11. Consider the June 30, 1880 treasurer’s report<sup>15</sup> that shows the following:

- \$37,130: Cash received from assessments of capital stock;
- \$34,497: Cash paid on account of construction of works;
- \$949: Total expenses incurred to that point, including engineering, advertising, books, postage, and the salary of the treasurer; and
- \$1,683: Balance of Cash on hand.

12. Using Mr. Reilly’s calculation methodology, the Purchase Price as of June 1880 would have been approximately \$34,497. The cost of the physical property had just been incurred, so any interest component would be minimal, and no dividends had been paid by the company. The Town would be able to purchase the physical property from the Company for \$34,497, which is the amount that the Company had just spent for the property. Because Mr. Reilly defines corporate property as the gross plant and equipment only, the \$1,683 cash balance would not be part of the corporate property being purchased by the Town. Therefore, while the investors invested \$37,130, they would only recover \$36,180 (\$34,497 from the Purchase Price receipts plus the remaining \$1,683 cash). From an accounting and economic perspective, this is not reasonable given the maximum 10 percent return specified under the Statute.

**Figure 1: Comparison of Purchase Prices in 1880**

	<b>Reilly Purchase Price</b>	<b>Jenkins Opinions No. 1 &amp; No. 2</b>
Corporate Property	Physical assets	Entire business
Basis for Return Calculation	Physical assets	Equity Invested
Actual Cost	\$34,497	\$37,130
Return	-	-
Dividends	\$0	\$0
Purchase Price	\$34,497	\$37,130
Shareholder Investment	\$37,130	\$37,130
Amount Recovered by Shareholders	\$36,180	\$37,130
Gain/Loss to Shareholders	(\$949)	\$0

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<sup>15</sup> [AQ-WTP 016343]

13. The result is also unreasonable, from an accounting and economic perspective, if the company pays a dividend. Consider the impact on the Purchase Price if on July 1, 1880, the cash balance of \$1,683 were paid as a dividend to the shareholders.<sup>16</sup> According to the Statute, the Purchase Price would be reduced by the dividend paid, i.e., from \$34,497 to \$32,814. Mr. Reilly's approach results in the Town purchasing the same physical property from the company, but doing so for \$1,683 less than it would have prior to the payment of the dividend to the shareholders. The Town would be purchasing \$34,497 of physical property for \$32,814. From an accounting and economic perspective, this is unreasonable. The result is also unreasonable since the founding shareholders would receive less, \$34,497 (\$32,814 from the Purchase Price plus \$1,683 from the dividend received), than they had invested (\$37,130).

**Figure 2: Comparison of Purchase Prices in 1880 (with cash dividend)**

	<b>Reilly Purchase Price</b>	<b>Jenkins Opinions No. 1 &amp; No. 2</b>
Corporate Property	Physical assets	Entire business
Basis for Return Calculation	Physical assets	Equity Invested
Actual Cost	\$34,497	\$37,130
Return	-	-
Dividends	\$1,683	\$1,683
Purchase Price	\$32,814	\$35,447
Shareholder Investment	\$37,130	\$37,130
Amount Recovered by Shareholders	\$34,497	\$37,130
Gain/Loss to Shareholders	(\$2633)	\$0

14. In contrast, the approach I have taken would result, from an economic and financial perspective given the Statute, in a reasonable outcome in these scenarios. In Opinion No. 1 of my initial report, I calculate the Purchase Price based on the equity invested by the owner of the Hingham Water System at the time that the Town exercises its purchase right.<sup>17</sup> As of June 30, 1880, this approach would have resulted in a Purchase Price of \$35,447, which when combined with the \$1,683 of dividends

<sup>16</sup> In fact, the first dividend was paid just one year later, in July of 1881.

<sup>17</sup> Jenkins Expert Report at ¶59.

received, is equal to the shareholders' actual equity investment. This price would allow the shareholders to recover their full investment, with interest.<sup>18</sup> In Opinion No. 2 of my initial report, I calculate the Purchase Price based on the actual equity contributed by all former and current owners of the Hingham Water System.<sup>19</sup> As of June 30, 1880, this approach is identical to my Opinion No. 1, and results in the full recovery of the shareholders' investment.<sup>20</sup>

15. It may be helpful to further illustrate the issues with Mr. Reilly's approach by using an example. From an accounting and economic perspective, Mr. Reilly's interpretation of "corporate property" and "actual cost" has the potential to result in either an unreasonably low or an unreasonably high Purchase Price, depending on the facts. In either case, the result is a significant deviation from the maximum 10 percent return specified in the Statute.
16. Consider the following transactions that result in an unreasonably low Purchase Price ("Scenario A"):
- 1) the issuance of stock to shareholders in exchange for \$40,000 cash,
  - 2) the purchase of physical property for \$20,000 of that cash, and
  - 3) a dividend one year later of the remaining \$20,000.

Mr. Reilly's approach would result in a Purchase Price of only \$2,000 for assets that had just been purchased for \$20,000. The "actual cost" of the physical property is \$20,000, interest at 10 percent on this "actual cost" would be \$2,000, and dividends paid are \$20,000. This results in a Purchase Price of \$2,000 (cost of \$20,000 plus a 10 percent return of \$2,000 less dividends of \$20,000 equals \$2,000). As a result, the Town would purchase the \$20,000 of physical assets for only \$2,000. This is clearly unreasonable from an accounting and economic perspective. The investors would have lost \$18,000 of their investment in Scenario A, having invested \$40,000 and received \$22,000 in return

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<sup>18</sup> The price would also include a small amount of interest, accrued at the maximum rate of 10 percent for the brief time that the money had been invested.

<sup>19</sup> Jenkins Expert Report at ¶71.

<sup>20</sup> My Opinion No. 1 and Opinion No. 2 will result in the same outcome until outstanding shares are purchased from the initial shareholders by a new investor.

(the \$2,000 Purchase Price plus the \$20,000 dividend). This is not a reasonable outcome from a financial and economic perspective in relation to the maximum 10 percent specified in the Statute. In fact, it results in a return of negative 45 percent.

17. In contrast, the approach I have taken would result, from an economic and financial perspective, in a reasonable outcome given Scenario A. In Scenario A, the Purchase Price, using my approach in Opinions No. 1 and No. 2 in my initial report, would be \$24,000. This is calculated based on the total investment of \$40,000, interest of \$4,000 (10 percent of \$40,000), less the dividend of \$20,000. At this Purchase Price, investors would have recovered their full investment, with 10 percent interest, having invested \$40,000 and received \$44,000 in return (the \$24,000 Purchase Price receipt plus the \$20,000 dividend). The Town, as purchaser, meanwhile, would have paid \$24,000 for \$20,000 of plant. Using this approach, there is no windfall to either party and the stockholders would have received a 10 percent return on their investment (i.e., \$4,000 on the investment of \$40,000).

**Figure 3: Scenario A- Resulting in Unreasonably Low Reilly Purchase Price**

	<b>Reilly Purchase Price</b>	<b>Jenkins Opinions No. 1 &amp; No. 2</b>
Corporate Property	Physical assets	Entire business
Basis for Return Calculation	Physical assets	Equity Invested
Actual Cost	\$20,000	\$40,000
Return	\$2,000	\$4,000
Dividends	\$20,000	\$20,000
Purchase Price	\$2,000	\$24,000
Shareholder Investment	\$40,000	\$40,000
Amount Recovered by Shareholders	\$22,000	\$44,000
Gain/Loss to Shareholders	(\$18,000)	\$4,000
Return (%)	negative 45%	10%

18. Mr. Reilly’s interpretation of the Statute can also result in an unreasonably high Purchase Price, from an economic and financial perspective, under a different set of facts. Consider the following transactions (“Scenario B”):

- 1) the issuance of stock to shareholders in exchange for \$40,000 cash,

- 2) the purchase of physical property for \$20,000 of that cash, and
- 3) the payment of \$20,000 in cash for expenses that generate \$30,000 in cash revenue (i.e., the generation of \$10,000 in Net Income).

Mr. Reilly's approach would result in overpayment in Scenario B, as described below.

19. In Scenario B, the "actual cost" of the physical property is still \$20,000, interest at 10 percent on this "actual cost" is \$2,000, and no dividends had been paid so there is no reduction for dividends. As a result, the Town would purchase the \$20,000 of physical assets for \$22,000. This may appear reasonable, from an accounting and financial perspective. However, since the Town would not receive the cash (or accounts receivable, if customers had not paid yet), the company would be left with a total of \$52,000 (i.e., the \$22,000 received from the Purchase Price, plus the \$30,000 in cash or receivables held by the Company). This \$52,000 represents an increase in \$12,000 from the initial \$40,000 shareholder investment, and is equivalent to a 30 percent return on that investment. This 30 percent return is higher than the maximum 10 percent return figure in the Statute and results in a windfall.
20. In contrast, the approach I have taken would produce a reasonable result from an accounting and economic perspective, given Scenario B. In Scenario B, the Purchase Price using my approach in Opinions No. 1 and No. 2 of my initial report would be \$44,000 (i.e., the total investment of \$40,000 plus interest of \$4,000, 10 percent of \$40,000), but the Town would also acquire the cash and accounts receivable. At this Purchase Price, investors would have recovered their investment with a 10 percent return, having invested \$40,000 and received \$44,000 in return.

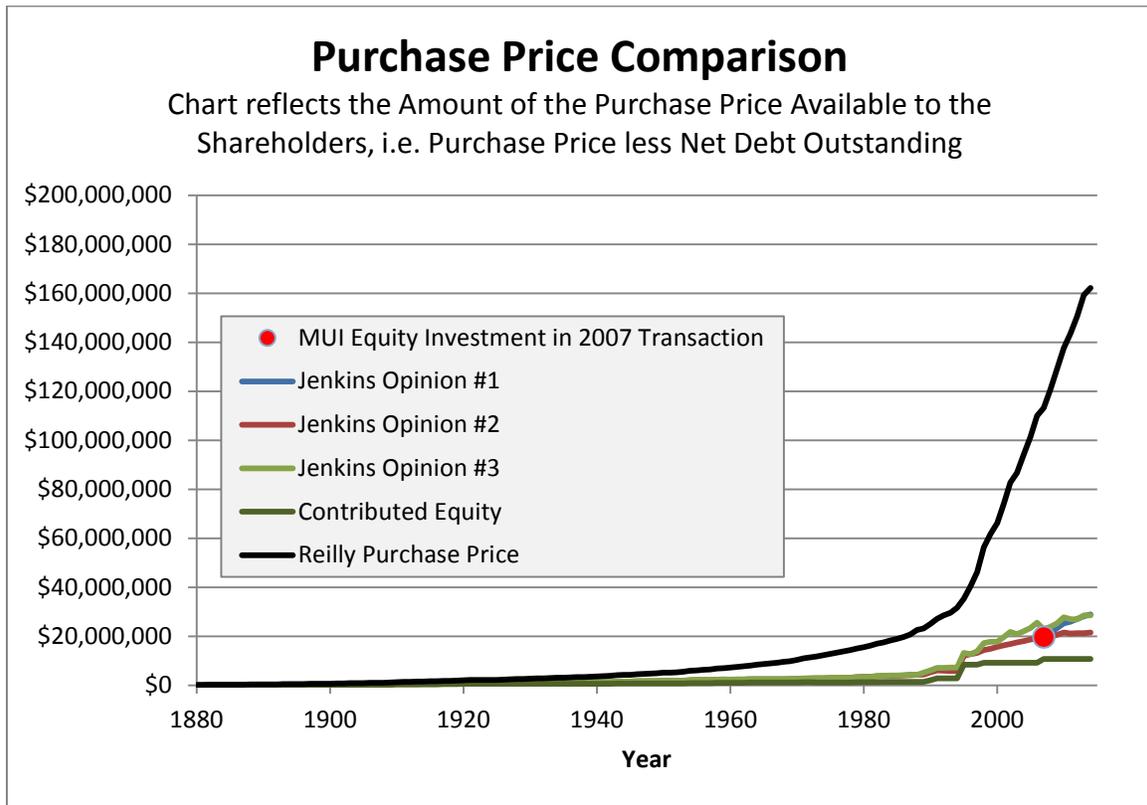
**Figure 4: Scenario B- Resulting in Unreasonably High Reilly Purchase Price**

	<b>Reilly Purchase Price</b>	<b>Jenkins Opinions No. 1 &amp; No. 2</b>
Corporate Property	Physical assets	Entire business
Basis for Return Calculation	Physical assets	Equity Invested
Actual Cost	\$20,000	\$40,000
Return	\$2,000	\$4,000
Dividends	\$0	\$0
Purchase Price	\$22,000	\$44,000
Shareholder Investment	\$40,000	\$40,000
Amount Recovered by Shareholders	\$52,000*	\$44,000
Gain/Loss to Shareholders	\$12,000	\$4,000
Return (%)	30%	10%

\* The \$52,000 is equal to the Purchase Price of \$22,000 plus the \$30,000 in cash and/or receivables held by the Company.

21. I do not give an opinion on the correct legal interpretation of the Statute, or discuss legal conclusions provided in the Oxford or any other decision. I am providing a financial implementation of the approach outlined in the Statute. I provide an opinion, from an accounting and economic perspective, on the reasonableness of the conclusions that result from various definitions of “corporate property” and “actual cost,” and the impact of defining “actual cost” from the perspective of investors in the company differentiated from costs the company itself incurs. As illustrated above, defining “actual cost of corporate property” to mean only the cost of the physical assets *to the company itself* produces unreasonable results from an accounting and economic perspective when compared to the maximum 10 percent return specified in the Statute. I have created a chart to illustrate the Purchase Price methodologies presented in this dispute. I have compared the investment made by shareholders in the company over time, MUI’s investment in the company, the Purchase Price using the methodology outlined in my initial report, and the Purchase Price advocated by the Defendants.

**Figure 5: Purchase Price Comparison Over Time**

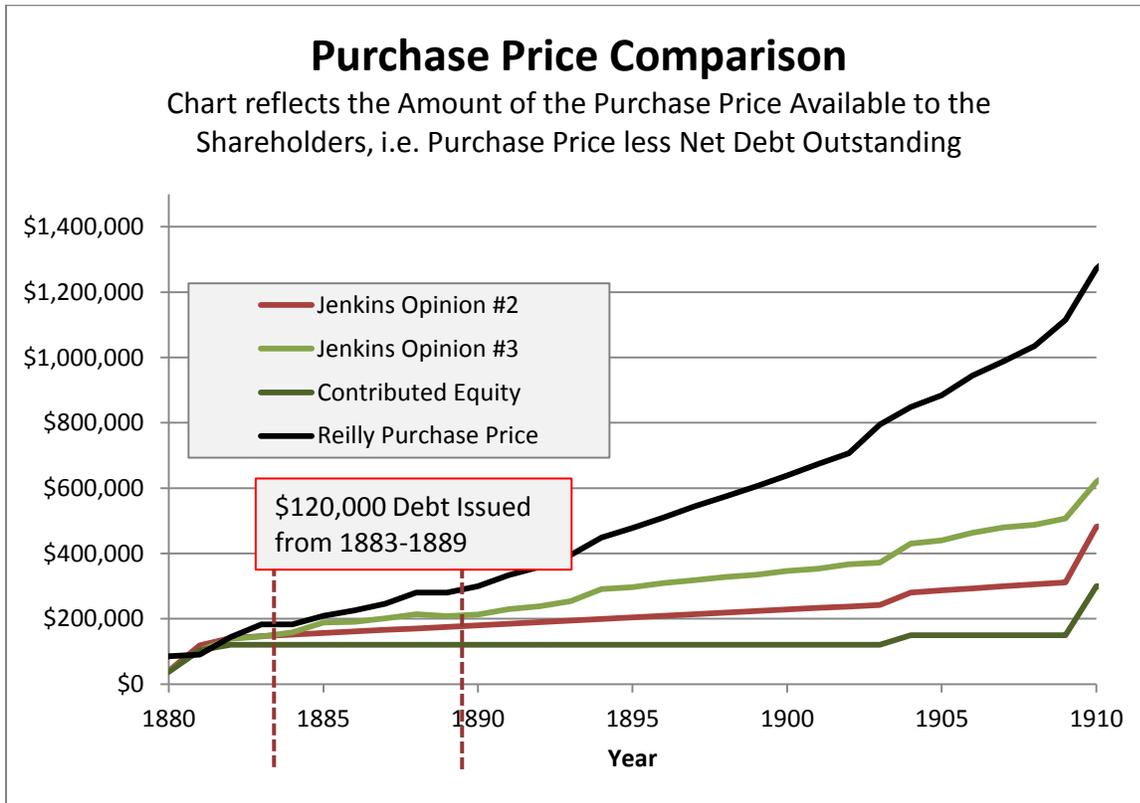


22. Figure 5 shows the portion of the Purchase Price that is available to the shareholders (i.e. the Total Purchase Price less net debt outstanding), since the company was formed, for each of the approaches presented. This chart shows that the estimate of MUI's actual equity investment as part of the 2007 acquisition from Kelda is consistent with the Purchase Price that would have been paid using the Purchase Price calculations described in Opinions No. 2 and No. 3 in my Expert Report. The calculation performed in Opinion No. 1 of my Expert Report uses MUI's 2007 equity investment as the starting point, so it is consistent by definition.

23. Figure 6 below is the same chart as Figure 5, shown only for the 30 years from 1880-1910. Looking more closely at this initial time period, we can see where the respective Purchase Price calculations begin to diverge. In 1882, all of the Purchase Price calculations are roughly equivalent. However, between 1883-1889, we see the Reilly Purchase Price begin to rise much more quickly than the Purchase Prices provided in the Jenkins Expert Report. This difference is driven largely by the

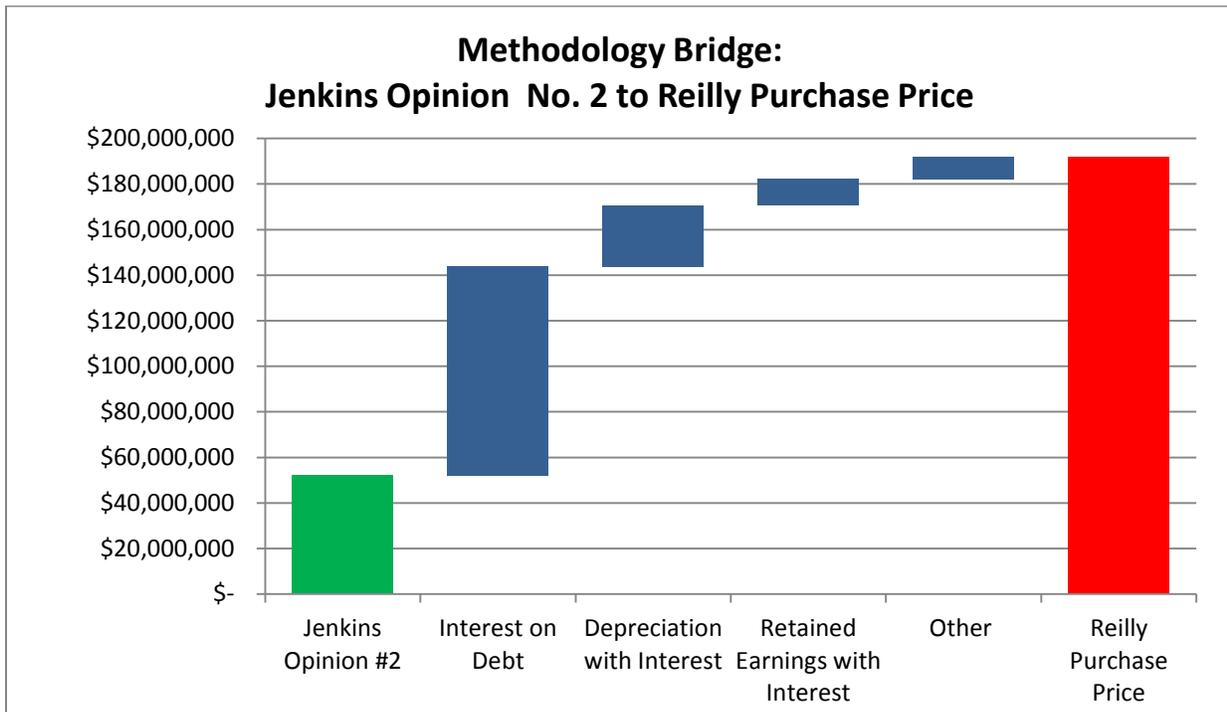
issuance of debt between 1883 and 1889, coupled with Mr. Reilly's approach in which returns are inflated by including the costs of assets financed with debt.

**Figure 6: Purchase Price Comparison Between 1880 and 1910**



24. Figure 7 below demonstrates how the Reilly Purchase Price becomes inflated so dramatically. This chart shows my Opinion No. 2 Purchase Price calculation, and then adds to that Purchase Price the additional components which are incorporated into Mr. Reilly's analysis: (1) 10 percent interest on assets financed with debt, (2) the balance of depreciation with interest, and (3) the balance of retained earnings with interest.

**Figure 7: Methodology Bridge Between Jenkins Opinion No. 2 and Reilly Purchase Price**



25. As can be seen in Figure 7 above, three “bridge” elements explain nearly the entire difference between Mr. Reilly’s approach and the calculations provided in the Jenkins Expert Report. The most significant portion of the difference between the Purchase Price under the methods used in the Jenkins Expert Report and the Reilly Purchase Price is the incremental addition of interest at 10 percent on the debt balance.<sup>21</sup> Debt has been issued and retired, over time, by the company. For all debt that has been retired, the debtholders have already recovered their full investment, including a return on that investment. Therefore, it is redundant, from a financial and accounting perspective, to include an additional return on debt in the Purchase Price calculation.

<sup>21</sup> The approaches described in the Jenkins Expert Report Opinion No. 2 and No. 3 compute interest on the contributed equity, while Opinion No. 1 runs interest on the estimated actual equity investment in 2007. Mr. Reilly calculates interest at 10 percent on gross plant assets.

**B. The Reilly Purchase Price would create a windfall for the Defendants**

26. The Reilly Purchase Price of \$192.07 million generates greater than a 7x cash return to the current owner.<sup>22</sup> As a reasonableness test of the Reilly Purchase Price, I estimated what annual return in the Statute (i.e., other than 10 percent) would generate a Purchase Price of over \$192 million, using the Purchase Price methodology included as Opinion No. 1 in my initial report.<sup>23</sup> To generate a Purchase Price of over \$192 million, the return figure would have to be over 90 percent per year from April 30, 2007 through June 30, 2014. That is, to generate a Purchase Price of \$192 million, the legislators in 1879 would have intended the current owner to receive an annual return of over 90 percent under the Statute. From an economic and financial perspective, this is unreasonable and not consistent with any reasonable investment returns of which I am aware. A Purchase Price of \$192 million would create a windfall for the Defendants.
27. The Reilly Purchase Price is based on gross plant and equipment, and calculates a return on annual gross plant and equipment going back to 1879. This approach results in a Purchase Price paid to the current owner of the Hingham Water System for assets that were put in place and for operations that occurred, in large part, prior to current ownership. Furthermore, under this approach, to the extent that previous owners earned a rate of return of less than ten percent on their investment, the shortfall would be aggregated into a payment to the current owner. From an economic point of view, this does not make sense.

**C. The use of gross plant results in the double-recovery of certain costs**

28. Any approach that utilizes gross plant as the basis for the Purchase Price, either by computing returns on the annual balance of gross plant, or by including the ending balance of gross plant in the Purchase Price, will have the effect of inflating the Purchase Price.

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<sup>22</sup> This cash return is based on the estimate of the equity invested by MUI in the Hingham Water System described in Section V.A of the Jenkins Expert Report.

<sup>23</sup> Jenkins Expert Report at ¶59.

29. The Statute states that the Town of Hingham has the right to purchase the corporate property of the Hingham Water Company at “actual cost.”<sup>24</sup> Mr. Reilly interprets this to mean that the Purchase Price should include the original, undepreciated cost of all plant in service.<sup>25</sup> However, this approach results in the double-counting of any plant assets that have already been depreciated by allowing recovery both through: (1) the depreciation expense, and (2) the Reilly Purchase Price paid by the Town under the Statute.
30. As discussed in my initial report,<sup>26</sup> depreciation expense is included in the determination of water rates by the Mass DPU and the Defendants have acknowledged as much. The cost of the plant of the Hingham Water Company is recovered by the company, over time, through the depreciation. All of the company’s depreciation has already been recovered because total net income of the company dating back to 1879 is \$26.1 million, incorporating payment of \$30.4 million in depreciation.<sup>27</sup>
31. My initial report also addresses examples of the double-recovery contained in the Reilly Purchase Price Report.<sup>28</sup> The approach applied in the Reilly Purchase Price Report is double counting in two different ways. First, by using gross plant as the “actual cost” component of the Reilly Purchase Price, the company would be allowed to recover through the Reilly Purchase Price amounts already recovered through the depreciation expense. Second, by calculating a return on gross plant, the company continues to accrue returns on investments that have already been recovered.

**D. A calculation of interest on assets is inconsistent with the deduction of only dividends.**

32. The Statute specifies that dividends paid by the Hingham Water System to its shareholders should be subtracted from the actual cost and return components of the Purchase Price calculation. The dividend

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<sup>24</sup> Massachusetts Acts of 1879, Chapter 139, p. 492.

<sup>25</sup> Reilly Purchase Price Report at p. 10-11.

<sup>26</sup> Jenkins Expert Report at ¶79.

<sup>27</sup> Jenkins Expert Report at ¶80. Aggregated numbers include all of AWCMA post-merger with Oxford.

<sup>28</sup> Jenkins Expert Report at ¶77-83.

component reflects the return that has already been paid to the shareholders of the company, and subtracting it from the Purchase Price ensures that the current owner does not receive more return than it's entitled to. If the Court's interpretation of the Statute is that the maximum 10 percent interest, or rate of return, component should be calculated on assets (i.e., gross plant or net plant), subtracting only dividends is insufficient from a financial perspective. As discussed in my initial report, the fact that the Statute specifies the deduction of only dividends is consistent, from a financial and accounting point of view, with calculating the maximum 10 percent return component of the Statute on equity. If the return component is calculated based on assets but only dividends are deducted, the resulting price will be inflated. Because assets are financed using a combination of debt and equity, if the return component is calculated based on assets, then it is important to reduce the Purchase Price by the return that debt investors have already received so as not to double-recover that return.

33. The Reilly Purchase Price Report adjusts gross plant to account for contributions in aid of construction ("CIAC") and customer advances. This is reasonable from an accounting and economic perspective, because CIAC and customer advances represent contributions by parties other than the owners of the company. These amounts were not financed by equity contributions from shareholders of the company. Similarly, debt capital allows a company to support a larger asset base than would be possible based only on the equity investment from shareholders. Because the shareholders did not invest debt capital, there is no reason to expect that shareholders would earn a return on debt capital. They should not be entitled to earn a return on capital they did not invest.

**E. The Reilly Purchase Price Report is inconsistent in its treatment of restricted cash**

34. The Reilly Purchase Price Report states that "corporate property includes tangible plant assets in service."<sup>29</sup> Similarly, the Guastella Report states that it is "beyond dispute" that the Statute intends the

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<sup>29</sup> Reilly Purchase Price Report at p. 1

Purchase Price to be based on the cost of the physical assets of the company.<sup>30</sup> However, Mr. Reilly includes restricted cash in the Purchase Price calculation. Mr. Reilly does not discuss his reasoning for the inclusion of restricted cash. From an accounting and financial perspective, including restricted cash is inconsistent with the presumption that actual cost should be based on the tangible plant assets in service. The restricted cash balances were related to covenants under the notes payable of the Water Treatment Plant and are not plant assets in service. To be consistent from an accounting and financial perspective with his stated approach, Mr. Reilly should not have included restricted cash in his analysis.

**F. Correcting the Reilly Purchase Price Report results in a significantly lower Purchase Price**

35. Based on my review of the Reilly Purchase Price Report, I have prepared a Purchase Price calculation that corrects the methodology used by Mr. Reilly based on the issues identified above (the “Net Plant Purchase Price”). The approach I have used is consistent with the Net Plant Purchase Price methodology outlined in my initial report at Section VIII, my Opinion No. 3.<sup>31</sup>
36. The Net Plant Purchase Price is calculated as: (1) the total net plant and equipment in the Hingham Water System as of June 30, 2014, (2) plus the sum of the interest in each year going back to 1879, calculated as ten percent of the total Contributed Equity at the start of each year, (3) less the sum of all dividends already paid by the Hingham Water System since 1879.

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<sup>30</sup> Guastella Report at p. 4.

<sup>31</sup> The Net Plant Purchase Price in my Expert Report has been updated to reflect a new calculation date of June 30, 2014. Because audited financials are not available as of June 30, 2014, I used the data provided by Aquarion Management and shown in Appendix B of the Reilly Purchase Price Report. For data not provided in Appendix B of the Reilly Purchase Price Report, certain assumptions were made to perform the Net Plant Purchase Price calculation as of June 30, 2014. Accumulated depreciation for the first half of 2014 was estimated based on an analysis of the changes in the accumulated depreciation account over the past 10 years. I assumed that there were no additional equity contributions during the first half of 2014. These items should be updated with the actual data from the audited financials when they become available.

**Figure 8: Net Plant Purchase Price as of June 30, 2014**

<b>Net Plant Purchase Price Summary</b>	<b>Including WTP</b>
Ending Net Plant \$	47,732,201
plus Interest \$	26,880,830
Less Dividends \$	(16,176,247)
<b>Net Plant Purchase Price \$</b>	<b>58,436,785</b>

37. This approach ensures the recovery of the cost of all of the plant and equipment assets of the Hingham Water System, ensures that a maximum 10 percent return on the equity contributed to the Hingham Water System has been earned, and takes into account the dividends already paid by the Hingham Water System.

38. This analysis has been performed through the June 30, 2014. As discussed in my initial report, the Net Plant Purchase Price above can be recalculated for a more current date by making the following adjustments:

- Identify AWCMA net plant from the balance sheet, or similar source, as of the new calculation date. Allocate net plant to the Hingham Service Area based on gross plant. Add to this the Aquarion Capital net plant as of the new calculation date. Replace the net plant as of June 30, 2014 with the allocated net plant from AWCMA and the net plant from Aquarion Capital as of the new calculation date.
- Identify any equity contributions made to AWCMA or Aquarion Capital between June 30, 2014 and the new calculation date.<sup>32</sup>
- Add to the Net Plant Purchase Price the interest, or return, on the cumulative Contributed Equity at the maximum 10 percent for the time period between June 30, 2014 and the new calculation date.<sup>33</sup>
- Subtract from the Net Plant Purchase Price any dividends paid by AWCMA or Aquarion Capital between June 30, 2014 and the new calculation date.<sup>34</sup>

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<sup>32</sup> Any AWCMA contributions should be allocated to the Hingham Service Area using the percentage of AWCMA gross plant in the Hingham Service Area in that year, as was done for the 1990, 1991, 1998, and 2007 contributions.

<sup>33</sup> The interest should accrue on the total Contributed Equity as of the start of each year, including any additional equity contributed beyond June 30, 2014. The interest component should be prorated for any partial year.

<sup>34</sup> Any AWCMA dividends should be allocated to the Hingham Service Area using the percentage of AWCMA gross plant in the Hingham Service Area in that year, as was done for all AWCMA dividends from 1989 through 2013.

39. I have performed the same corrections to the Reilly Purchase Price calculation as discussed above, but have excluded the Water Treatment Plant. Using the same methodology outlined in my initial report,<sup>35</sup> the Net Plant Purchase Price excluding the Water Treatment Plant<sup>36</sup> is \$27.5 million.
40. This analysis has also been performed through the Calculation Date of June 30, 2014. The Net Plant Purchase Price excluding the Water Treatment Plant can be recalculated for a date after June 30, 2014 by making the following adjustments:

- Identify AWCMA net plant from the balance sheet, or similar source, as of the new calculation date. Allocate net plant to the Hingham Service Area based on gross plant. Replace the net plant as of June 30, 2014 with the allocated net plant from AWCMA as of the new calculation date.
- Identify any equity contributions made to AWCMA between June 30, 2014 and the new calculation date.<sup>37</sup>
- Add to the Net Plant Purchase Price the interest, or return, on the cumulative Contributed Equity in AWCMA at the maximum 10 percent for the time period between June 30, 2014 and the new calculation date.<sup>38</sup>
- Subtract from the Net Plant Purchase Price any dividends paid by AWCMA between June 30, 2014 and the new calculation date.<sup>39</sup>

#### **IV. The Reilly WTP Report**

41. The Reilly WTP Report estimates the market value of the Water Treatment Plant that services the Hingham Water System. I have been instructed by counsel that the market value of the Water Treatment Plant is not relevant to the calculation of the Purchase Price under the Statute. Therefore, I

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<sup>35</sup> Jenkins Expert Report at ¶112-114.

<sup>36</sup> The concluded Reilly Purchase Price, excluding the Water Treatment Plant, was \$87.27 million. *See* Reilly Purchase Price Report at p. 11.

<sup>37</sup> Any AWCMA contributions should be allocated to the Hingham Service Area using the percentage of AWCMA gross plant in the Hingham Service Area in that year, as was done for the 1990, 1991, 1998, and 2007 contributions.

<sup>38</sup> The interest should accrue on the total Contributed Equity as of the start of each year, including any additional equity contributed beyond June 30, 2014. The interest component should be prorated for any partial year.

<sup>39</sup> Any AWCMA dividends should be allocated to the Hingham Service Area using the percentage of AWCMA gross plant in the Hingham Service Area in that year, as was done for all AWCMA dividends from 1989 through June 30, 2014.

have not been asked to critique the Reilly WTP Report in its entirety, withholding any judgment as to the methods or inputs used by Mr. Reilly as part of his market value analysis.

42. In my cursory review of the Reilly WTP Report, however, I noted certain areas of his analysis that are concerning. For example, the two indications of value used by Mr. Reilly to support his concluded market value estimate differ by almost 50 percent, or \$20 million. Mr. Reilly chose to give a weight of 90 percent to the Cost Approach, which was the higher of the two indications of value. The Income Approach, which bases the value of the Water Treatment Plant on the expected cash flow generated by the lease agreement actually in place, may be a better indication of value than the Cost Approach that appears to include a number of subjective assumptions. Furthermore, a buyer would not likely pay over \$60 million for a Water Treatment Facility that only generates \$30 million in lease payments.

43. Additionally, the Income Approach used by Mr. Reilly appears to result in a value that is biased high. He has applied a pre-tax discount rate of 8.0 percent to future lease payments that the WTP will receive. This discount rate was based on yield capitalization rates from a real-estate investor survey. Applying instead the company's own cost of capital to the cash flows generated through the lease payments results in an estimated market value of approximately \$34 million,<sup>40</sup> \$9 million below the \$43 million estimate generated by Mr. Reilly's Income Approach, and almost \$30 million less than Mr. Reilly's concluded market value estimate. This adjustment does not even account for the questionable \$48 million reversionary value that Mr. Reilly relies on in the Income Approach. This is intended to reflect the value of the WTP in 2035, and is based on the value indicated by the Cost Approach times 75 percent. There is no support for the 75 percent factor, no support for the value, and the value is completely inconsistent with the cash-generating potential of the WTP as discussed

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<sup>40</sup> We estimated the company's after-tax cost of capital using the company's own cost of debt of 4.1 percent, (see AQ-033074 at -085), the Company's 2013 effective tax rate of 38.7 percent (see AQ-033074 at -086), and the 14 percent cost of equity approved by the DPU when the lease structure was approved (see DPU 95-118 at p. 78). The debt and equity weights were determined with an iterative process, using the actual 2013 debt balance and the resulting market value estimate. The same lease payments used by Mr. Reilly were adjusted to an after-tax basis by applying the Company's 2013 effective tax rate of 38.7 percent.

above. For example, assuming a 25 percent factor, which may be more reasonable, results in a value of \$29 million for the WTP.

## V. The Guastella Report

### A. Allocating equity using EBITDA is inconsistent with basic financial theory

44. Opinion No. 1 of my initial report provides a Purchase Price based on the actual equity invested by the current owner of the Hingham Water System.<sup>41</sup> The Hingham Water System was acquired by the current owner as part of a larger transaction in which multiple water systems were purchased at the same time. Therefore, to implement this approach, it was necessary to estimate the amount invested by the current owner as part of that larger transaction.
45. Mr. Guastella is critical of the method used in my initial report to estimate the equity invested by MUI in the Hingham Water System in the 2007 transaction.<sup>42</sup> In my approach I estimated the total enterprise value (“TEV”), allocated the TEV to each entity acquired in the transaction, and then subtracted the debt at each entity to determine the equity invested in each entity.<sup>43</sup> Mr. Guastella argues that because debt attributable to each entity was known, my allocation of the TEV improperly changed the actual amount of debt attributable to each entity.<sup>44</sup> Mr. Guastella purports to “correct” this error by allocating the total equity paid by MUI to each acquired entity directly.<sup>45</sup> Mr. Guastella’s criticism is based on flawed reasoning, and his “correction” demonstrates a lack of understanding of basic finance theory regarding the relationship between EBITDA and equity.
46. The fundamental problem with Mr. Guastella’s approach is that he attempts to allocate the equity invested by MUI using EBITDA (which, as the before interest part of the term implies, is unaffected

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<sup>41</sup> Jenkins Expert Report at ¶10.

<sup>42</sup> Guastella Report at p. 5-6

<sup>43</sup> Jenkins Expert Report at ¶45-50.

<sup>44</sup> Guastella Report at p. 6.

<sup>45</sup> Guastella Report at p. 6 and Schedule JFG-1.

by debt). A simple example using apartment buildings highlights the flaw in Mr. Guastella’s reasoning. Consider two identical apartment buildings each worth \$200,000, and each with total income before interest expense of \$1,000/month (the value of two identical buildings generating equal income will be the same, regardless of how the buildings are financed). Now assume that Building A has a mortgage of \$100,000, paying \$500/month in interest, and Building B has no mortgage and pays no interest. In this example, Building A has income of \$1,000 before interest expense and \$500 after interest expense, while Building B has income of \$1,000 and has no interest expense .

47. If we add together the value of the two buildings we get \$400,000. The relevant question is “What is the value of the equity in each Building?” This is similar to the disagreement that Mr. Guastella and I have. That is, we disagree as to the proper way to allocate the 2007 transaction value to each of the operating companies. I will work through the building example to highlight the error in Mr. Guastella’s approach. A summary of the building example is listed below:

**Figure 9: Example to Illustrate the Error in Mr. Guastella’s Methodology**

	<b>Building A</b>	<b>Building B</b>	<b>Total</b>
Total Value	\$200,000	\$200,000	\$400,000
Mortgage (i.e., Debt)	\$100,000	\$0	\$100,000
Income before Interest Expense	\$1000/month	\$1000/month	\$2000/month
Interest Expense	\$500/month	\$0/month	\$500/month
Income After Interest Expense	\$500/month	\$1000/month	\$1500/month
Value of Equity	?	?	\$300,000

48. Mr. Guastella, incorrectly, determines the equity in each building by: (1) taking the total combined value of the buildings of \$400,000 and subtracting the combined mortgage of \$100,000 to calculate the combined equity of \$300,000, and (2) allocating the combined equity value to the individual buildings on the basis of income before interest expense. In the example above, this approach would result in an equal allocation of the \$300,000 total equity between Building A and Building B, giving each \$150,000, since both buildings have equal income before interest expense of \$1,000/month, resulting in a 50/50 allocation of total equity value of \$300,000 (i.e., \$300,000 allocated 50/50 is

\$150,000 and \$150,000). Since total value is equal to the debt plus the equity, this approach implies that Building A is worth \$250,000 (\$150,000 equity plus the \$100,000 mortgage) and Building B is worth \$150,000 (\$150,000 equity plus \$0 mortgage). For two identical buildings with equal income, the total values differ by \$100,000. This is an illogical result.

**Figure 10: Application of Mr. Guastella’s Flawed Methodology to the Example**

	<b>Building A</b>	<b>Building B</b>	<b>Total</b>
Income before Interest Expense	\$1,000/month	\$1,000/month	\$2,000/month
Total Value			\$400,000
Mortgage (i.e., Debt)			\$100,000
Implied Value of Equity	\$150,000	\$150,000	\$300,000
Plus: Mortgage (i.e., Debt)	\$100,000	\$0	
Equals: Implied Total Value based on Mr. Guastella’s approach	\$250,000	\$150,000	
Actual Total Value	\$200,000	\$200,000	
Difference	\$50,000	(\$50,000)	

49. In contrast, the approach consistent with my initial report is to (1) take the same total combined value (i.e., \$400,000), and allocate this total value to the individual buildings using income before interest expense (i.e., 50/50), resulting in a total value for each Building of \$200,000, and (2) subtract the debt specific to each building to calculate the equity in each building. Contrary to Mr. Guastella’s approach, this method correctly allocates the total value equally between the two buildings (recall that the buildings are identical except for the mortgage). This is clearly the appropriate approach, and consistent with basic finance theory.

**Figure 11: Application of the Correct Methodology to the Example**

	<b>Building A</b>	<b>Building B</b>	<b>Total</b>
Income before Interest Expense	\$1,000/month	\$1,000/month	\$2,000/month
Total Value	\$200,000	\$200,000	\$400,000
Mortgage (i.e., Debt)	\$100,000	\$0	
Value of Equity	\$100,000	\$200,000	
Actual Total Value	\$200,000	\$200,000	
Difference	\$0	\$0	

50. The approach I have taken is based on the fundamental principles of relative valuation. Certain ratios, called valuation multiples, are often used to perform relative valuation. For example, the valuation multiple TEV-to-EBITDA is among the most commonly used multiples in the field of valuation, and is particularly appropriate for use with firms that require significant large investments in infrastructure.<sup>46,47</sup> It is important when using valuation multiples that the numerator and denominator be apples-to-apples. That is, the finance metric in the denominator must be consistent with and be related to the finance metric in the numerator. The valuation multiple of Equity-to-EBITDA fails this test because EBITDA is an earnings measure before interest expense, while the value of equity depends on earnings after interest expense. Mr. Guastella's analysis fails to comply with these fundamental financial concepts and results in a flawed conclusion.

### **B. Depreciation is not an equity investment**

51. Mr. Guastella claims that I have made an error by not including internally-generated funds as part of my calculation of MUI's actual equity investment. He argues that equity not only consists of stock but also internally-generated funds from operating cash flow in the form of retained earnings and depreciation expense allowances.<sup>48</sup>

52. Mr. Guastella's claim that depreciation expense allowances is a form of equity is incorrect.

Depreciation expense is not an incremental investment increasing the value of equity. It represents

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<sup>46</sup> Damadoran, Aswath. *Investment Valuation* (New York, John Wiley & Sons, 2002), at p. 501.

<sup>47</sup> The TEV to EBITDA multiple is consistent, in that the denominator (EBITDA) is a measure of earnings used to pay both debt and equity holders, and the numerator (TEV) is a measure of the value of both debt and equity. Guastella's approach, using EBITDA as an indicator of equity value, is inconsistent. EBITDA cannot be used as a reliable indication of equity value, since a portion of the EBITDA must be used to pay debt holders. See Hitchner, James R. *Financial Valuation: Applications and Models*. (New Jersey, John Wiley & Sons, 2003), at p. 218-219.

<sup>48</sup> Mr. Guastella goes on to say "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." This statement is not correct. Using cash on hand to pay down debt principal does not increase equity. The reduction in the company's debt balance is exactly offset by the decrease in the company's cash balance, resulting in a net change of zero in the company's equity. While Mr. Guastella presents his flawed reasoning in the body of his report, he makes no adjustment to reflect principal payments of past debt in his "correction" of my calculations. Mr. Guastella may have recognized the error in his reasoning and determined that an adjustment is not appropriate.

the recovery of prior investment that has already been spent.<sup>49</sup> In its rate case decisions, the Mass DPU states that “Depreciation expense allows a company to recover its capital investments in a timely and equitable fashion over the service lives of the investments.”<sup>50</sup> The Financial Accounting Standards Advisory Board (“FASAB”) defines depreciation as “the systematic and rational allocation of the acquisition cost of an asset.”<sup>51</sup> The accumulated depreciation account, therefore, represents the portion of previous investments in plant that has already been recovered by the company through the rates charged to ratepayers. It is clearly not an equity investment.

53. In fact, depreciation expense represents an economic loss of value, and therefore theoretically reduces the value of equity in the company. This loss of value can be seen in the company’s audited financials, as the accumulated depreciation account serves to reduce the net book value of the company’s plant assets, thus reducing the company’s book value of equity.<sup>52</sup> To argue, as Mr. Guastella does, that an account that decreases the net asset value of the company is representative of positive equity investment demonstrates a lack of understanding of basic accounting concepts.

### **C. Retained earnings is not an equity investment<sup>53</sup>**

54. Mr. Guastella argues that in addition to depreciation expense allowances, retained earnings should also be incorporated into the Purchase Price calculation because it represents an equity investment.<sup>54</sup> I disagree. Retained earnings are not indicative of an incremental investment made by the shareholders.

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<sup>49</sup> See Jenkins Expert Report at ¶79-83.

<sup>50</sup> D.P.U. 11-43 Order (March 30, 2012) at p. 199; D.P.U. 08-27 Order (March 31, 2009) at p. 110.

<sup>51</sup> Depreciation Accounting: The systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life. (FASAB Handbook as of June 30, 2013. Consolidated Glossary, at Appendix E, p. 22).

<sup>52</sup> See AWCMA 2012 Audited Financials [AQ-005277 at -5281 and -5292].

<sup>53</sup> Additionally, while Mr. Guastella attempts to “correct” the calculation, his summary on page 1 of Exhibit JFG-2 is plainly wrong. The Total contributed equity of \$34,767,980 is the equity as of 2010 (including retained earnings and other internal funds). The “Outstanding Debt” of \$38,858,913 is the equity as of 2013 (including retained earnings and other internal funds). Interest and dividends are left blank. Mr. Guastella shows a different calculation on JFG-2 page 2 of 2, which appears to more closely resemble his intended approach. As discussed below, Mr. Guastella’s criticisms are misplaced, and therefore, none of the calculations presented are appropriate.

<sup>54</sup> Guastella Report at p. 6.

Rather, retained earnings are simply a reflection of the cumulative accounting net income (i.e., the accounting revenue generated from rate payers less accounting expenses) that has not yet been paid out to the equity shareholders as a cash dividend. Retained earnings is not a reflection of cash. There are timing differences as well as non-cash items included in retained earnings that render it unrelated to cash.

55. Retained earnings is a reflection of accounting income above cost, i.e., an accounting return. The Statute specifies a return component of up to 10 percent. My Purchase Price calculations already directly incorporate a 10 percent return as part of the Purchase Price.<sup>55</sup> Adding accounting returns in the form of retained earnings to the 10 percent return already included in the Purchase Price calculation would be wrong, redundant, and would result in a total return of greater than 10 percent.

**D. The Reilly Purchase Price Report does result in a windfall to the Defendants**

56. As discussed in my initial report, the Purchase Price as calculated by the Defendants' expert is unreasonably high from an accounting and economic perspective, and results in a windfall for the Defendants as compared to the maximum 10 percent return specified in the Statute.<sup>56</sup> Mr. Guastella criticizes this finding, stating that my analysis is flawed because it did not use any appropriate standard for comparison.<sup>57</sup> This is not accurate. In my initial report I compared the Purchase Price as calculated by the Defendants to an estimate of what was actually paid for the company by MUI in 2007. A windfall is defined by Merriam-Webster as "an unexpected, unearned, or sudden gain or advantage." In order to determine whether a specific Purchase Price can be considered to be a windfall, it is necessary to estimate the amount that MUI paid for the company in 2007. This estimate is precisely the standard that was used for comparison in my initial report. A return of 90 percent,

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<sup>55</sup> Jenkins Expert Report at ¶59, ¶71, and ¶101.

<sup>56</sup> Jenkins Expert Report at ¶89-90.

<sup>57</sup> Guastella Report at p. 10-11.

which would result if the Court adopted the Defendant's calculation of the Purchase Price, is clearly a windfall when compared to the maximum 10 percent return specified in the Statute.

## **VI. Conclusion**

57. The Reilly Purchase Price Report results in a windfall to the Defendants, contains errors, and incorrectly applies basic financial concepts. First, a Purchase Price of over \$192 million, compared to an acquisition TEV of approximately \$55 million in 2007, would represent a return far in excess of the maximum 10 percent return specified in the Statute, and would create a windfall for the Defendants. Second, the Reilly Purchase Price Report uses gross plant to calculate a Purchase Price, which results in double-recovery of costs. Third, the Reilly Purchase Price Report calculates interest based on assets (which are financed by both equity and debt investors), while deducting only dividends (returns only to equity investors). From an accounting and financial perspective, this analysis is not appropriate. Debt investors already earn interest on their investment through annual interest payments. Therefore, calculating interest based on assets acquired through borrowing will result in the double-payment of debt interest. Fourth, the Reilly Purchase Price includes restricted cash in its calculation methodology, which is inconsistent with Mr. Reilly's description of corporate property to be "gross plant and equipment." Overall, the calculations contained in the Reilly Purchase Price Report inflate the Purchase Price under the Statute. Correcting the errors in the Reilly Purchase Price Report results in a Purchase Price consistent with the maximum 10 percent return specified in the Statute, therefore avoiding a windfall for the Defendants.

58. The Reilly WTP Report contains an analysis of the market value of the Water Treatment Plant. I have been instructed by counsel that the market value of the Water Treatment Plant is irrelevant to the calculation of the Purchase Price of the Hingham Water System under the Statute. Therefore, I have not been asked to critique the Reilly WTP Report in its entirety. I note, however, several potential issues with the analysis, including the fact that the two indications of value Mr. Reilly relies upon for

his market value estimate are more than \$20 million apart, and his decision to give a 90 percent weight to the higher of those two values.

59. The Guastella Report criticizes my Expert Report filed in this matter as it relates to allocating value and calculating actual costs. However, Mr. Guastella's criticisms reflect a misunderstanding of basic financial theory, incorporate "corrections" that are simply wrong, and attempt to interpret the Statute to produce unreasonable financial results that would lead to a windfall for the Defendants. First, the Guastella Report "corrects" my calculations by allocating the equity invested by MUI in the 2007 transaction of the Hingham Water System using EBITDA. As described in my report, Mr. Guastella's approach is incorrect. Second, the Guastella Report concludes that depreciation is an equity investment, which again is inconsistent with basic financial theory. Depreciation is a non-cash expense that has the effect of reducing net asset value, thereby reducing the value of the company's equity. Depreciation expense and depreciation allowances are not additional equity investments. In fact, depreciation expense is included in the rates charged to ratepayers, and allows the company to recover prior investments already made. Third, the Guastella Report argues that retained earnings is an equity investment. This, too, is inconsistent with basic finance. Retained earnings is an accounting metric reflecting accounting earnings that have not been returned as cash to investors. It is neither a measure of cash nor a measure of investment. It does not reflect any incremental equity investment made by shareholders. Finally, Mr. Guastella argues that the term "corporate property" as used in the Statute refers to just physical assets, and none of the other assets of the company. From an accounting and economic perspective, this interpretation of the Statute can produce unreasonable results in both directions.

## Appendix A: Documents Considered

<b>Pleadings</b>
Complaint dated July 3, 2013
Motion to Reserve and Report dated July 3, 2013
Response in Opposition to Plaintiff's Motion to Reserve and Report dated August 19, 2013
Town of Hingham's Reply to Opposition to Motion to Reserve and Report dated August 23, 2013
Aquarion Water Company of Massachusetts, Inc. and Aquarion Water Capital of Massachusetts, Inc.'s Answer dated October 23, 2013
Plaintiff's First Set of Interrogatories to Defendant Aquarion Water Capital of Massachusetts, Inc. dated November 15, 2013
Plaintiff's First Set of Interrogatories to Defendant Aquarion Water Company of Massachusetts, Inc. dated November 15, 2013
Plaintiff's Response to Defendants' First Set of Interrogatories dated December 16, 2013
Aquarion Water Capital of Massachusetts, Inc.'s Responses to Plaintiff's First Request for Production of Documents dated December 30, 2013
Aquarion Water Company of Massachusetts, Inc.'s Responses to Plaintiff's First Request for Production of Documents dated December 30, 2013
Aquarion Water Company of Massachusetts, Inc.'s Responses to Plaintiff's First Set of Interrogatories dated January 2, 2014.
Aquarion Water Capital of Massachusetts, Inc.'s Responses to Plaintiff's First Set of Interrogatories dated January 2, 2014.
Defendants' Motion for Partial Summary Judgment dated August 15, 2014.
Defendants' Memorandum in Support of their Motion for Partial Summary Judgment dated August 15, 2014.
Defendants' Statement of Undisputed Material Facts in Support of their Motion for Partial Summary Judgment dated August 15, 2014.
Joint Appendix of Exhibits Submitted in Connection with Defendants' Motion for Partial Summary Judgment.
Town of Hingham's Opposition to Defendants' Motion for Partial Summary Judgment dated September 12, 2014.
Defendants' Statement of Undisputed Material Facts in Support of their Motion for Partial Summary Judgment and Plaintiff's Additional Material Facts dated September 12, 2014.
Aquarion Water Company of Massachusetts, Inc.'s and Aquarion Water Capital of Massachusetts, Inc.'s Expert Disclosure dated September 15, 2014.
Formula Purchase Price Analysis of the Hingham Water System as of June 30, 2014, signed by Robert F. Reilly.
Market Value of the Aquarion Water Capital of Massachusetts, Inc. Water Treatment Plant Improvements as of June 30, 2014 Summary Appraisal Report.
Review Report of John F. Guastella dated September 15, 2014.
Expert Report of Judith Cowin dated September 15, 2014.
Defendants' Motion Motion to Strike the Expert Report of Carl Jenkins from the Summary Judgment Record dated September 18, 2014.
Defendants' Memorandum in Support of their Motion to Strike the Expert Report of Carl Jenkins from the Summary Judgment Record dated September 18, 2014.
Town of Hingham's Opposition to Defendants' Motion to Strike the Expert Report of Carl Jenkins from the Summary Judgment Record dated September 26, 2014.

<b>Depositions (inclusive of exhibits)</b>
Deposition of Charles V. Firlotte (May 6, 2014)
Deposition of Troy Dixon, Vol. I (May 6, 2014)
Deposition of Troy Dixon, Vol. II (May 7, 2014)
Deposition of John P. Walsh (May 8, 2014)
Trial transcripts from the Town of Oxford v. Aquarion Water Company of Massachusetts, Inc. (Docket WOCV2009-0592E) and Aquarion Water Company of Massachusetts, Inc. v. Town of Oxford (Docket WOCV2009-1496D): Volume 4 (May 14, 2013), Volume 5 (May 15, 2013), and Volume 6 (May 16, 2013)

<b>Case Documents</b>	<b>Bates Range</b>
AWW/Aquarion Purchase Agreement dated August 29, 2001	AQ-026074 - AQ-026128
Purchase Agreement Schedules (2001.08.29)	AQ-026129 - AQ-026195
Purchase Price Adjustments.xls	AQ-026196
Sale of CT-American to Aquarion	AQ-028105 - AQ-028491
Sale of Hampton WW to Aquarion	AQ-028492 - AQ-028834
Sale of Mass-American to Aquarion	AQ-028835 - AQ-029154
Sale of NY-American to Aquarion	AQ-029155 - AQ-029430
Sale of Mass-Capital to Aquarion	AQ-031263 - AQ-031543
The Acquisition of Aquarion by MUI dated April 30, 2007 (Index)	AQ-027191-AQ-027197
MUI Stock Purchase Agreement dated February 24, 2006	AQ-027198-AQ-027263
CT DPU Change of Control Approval	AQ-027451-AQ-027465
Cross Receipt dated April 30, 2007	AQ-027537-AQ-027538
Mass Capital Audited Financials (1995 - 1997)	AQ-023759 - AQ-023801
Mass Capital Audited Financials (2000 - 2001)	AQ-023583 - AQ-023599
Aquarion Water Capital Audited Financials (2002 - 2012)	AQ-023600 - AQ-023758
Aquarion Water Capital Audited Financials (2013)	AQ-033074 - AQ-033088
Hingham Water Company DPU Report (1929 - 1980)	AQ-000001 - AQ-001697
Hingham Water Company DPU Report (1981 - 1982)	AQ-029431 - AQ-029534
Hingham Water Company DPU Report (1983)	AQ-001698 - AQ-001751
Hingham Water Company DPU Report (1984)	AQ-029535 - AQ-029591
Hingham Water Company DPU Report (1985 - 1988)	AQ-001752 - AQ-002217
Mass-American DPU Report (1989)	AQ-002218 - AQ-002314
Mass-American DPU Report (1991 - 2001)	AQ-002315 - AQ-003647
AWCMA DPU Report (2002 - 2012)	AQ-003648 - AQ-004820
Hingham Water Company Audited Financials (1988)	AQ-004976 - AQ-005009
Mass-American Water Co Audited Financials (2000 - 2001)	AQ-005010 - AQ-005036
AWCMA Audited Financials (2002 - 2012)	AQ-005037 - AQ-005302
AWCMA Audited Financials (2013)	AQ-033089 - AQ-033115
AWCMA Income Statement and Balance Sheet as of April 30, 2007	AQ-033070 - AQ-033071
Aquarion Capital Income Statement and Balance Sheet as of April 30, 2007	AQ-033072 - AQ-033073
Special Investigation of Hingham Water Co. (Rittenhouse & Co) dated December 27, 1935	AQ-032105-AQ-032126
Engineering Feasibility Report dated July 28, 1995 (Appendix B to the MIFA Revenue Bond Offering Memo dated July 1, 1995)	AQ-025744 - AQ-025803

Aquarion Water Capital Amended Facility Lease Agreement dated October 1, 2012	AQ-025849 - AQ-025909
Mass Capital Facility Lease Agreement dated July 1, 1995	AQ-025910 - AQ-026027
Mass Capital Ground Lease dated July 1, 1995	AQ-026028 – AQ-026073
Hingham Water Company Stockholder List dated February 5, 1929	AQ-WTP 012272
Hingham Water Company Stockholder List dated February 20, 1939	AQ-WTP 012956
Meeting Minutes of the First Meeting of the Hingham Water Company	AQ-WTP 016325-16327
Hingham Water Company Records (1880-1881)	AQ-WTP 016343-391
Hingham Water Company Records (1885-1886)	AQ-WTP 016417-441
Hingham Water Company Records (1920-1921)	AQ-WTP 016958-980
Meeting Minutes of a Special Meeting of the Directors of the Hingham Water Company dated November 27, 1928	AQ-WTP 013329
Hingham Water Company Stockholder List dated August 5, 1929	AQ-WTP 013419
Hingham Water Company Stockholder List dated September 8, 1958	AQ-WTP 013631
Hingham Water Company Stockholder List dated July 26, 1971	AQ-WTP 014266
Hingham Water Company Unanimous Consent of the Stockholders dated May 26, 1983	AQ-WTP 014819
Hingham Water Company Board of Directors July 26, 1985 Meeting Minutes	AQ-WTP 014891 - 014898
Hingham Water Company Consent of Stockholder dated October 3, 1985	AQ-WTP 014902
Hingham Water Company Unanimous Consent of the Stockholders dated May 21, 1987	AQ-WTP 014959
Aquarion Water Capital Financial Statements- Unaudited Full Year 2002	N/A
Massachusetts Department of Public Utilities No. 10125	AQ-WTP 006199-006214
Massachusetts Department of Public Utilities No. 7768	AQ-WTP 006119-006124
Other documents produced by the parties not specifically identified in the list above	AQ-000001 - AQ-033115 AQ-WTP 000001 - 017376

### Public Documents

Damadoran, Aswath. 2002. <i>Investment Valuation: Tools and Techniques for Determining the Value of Any Asset</i> , 2nd Ed. (New York, John Wiley & Sons, Inc.), p. 501-508.
Hitchner, James R. <i>Financial Valuation: Applications and Models</i> . (New Jersey, John Wiley & Sons, 2003), at p. 218-219.
Aquarion Water Company of Connecticut: Annual Report to the Department of Public Utility Control of the State of Connecticut (2006)
Aquarion Water Company of New Hampshire: Annual Report to the N.H. Public Utilities Commission (2006)
Massachusetts Department of Telecommunications and Energy: D.T.E. 00-105 Order dated April 26, 2001
Massachusetts Department of Public Utilities: D.P.U. 95-118 Order dated May 31, 1996
Massachusetts Department of Public Utilities: D.P.U. 08-27 Order dated March 31, 2009
Massachusetts Department of Public Utilities: D.P.U. 11-43 Order dated March 30, 2012
Massachusetts Department of Public Utilities: DPU 08-27 Initial Brief of Aquarion Water Company of Massachusetts, Inc. dated January 21, 2009.
Massachusetts Department of Public Utilities: 220 CMR 52.00, “Uniform System of Accounts for Water Companies” dated July 12, 1923.
Massachusetts Department of Public Utilities: D.P.U. 89-134 Order dated December 29, 1989.

State of New Hampshire Public Utilities Commission: DW 06-094, Testimony of Charles V. Firlotte at p. 56-57 (September 20, 2006).
AWCMA DPU Report (2013)
Seymour, Charles W.S. "History of the Town of Hingham, Massachusetts: Water Works," 1893, p. 261-270
"Kelda Abandons Aquarion," <i>Global Water Intelligence Vol 7 Issue 3</i> , (March 2006).
American Water Works Company, Inc. Press Release dated August 30, 2001, "American Water Works Company's New England Operations to be Acquired by Kelda Group PLC, Aquarion."
United States Tax Court Decision dated January 31, 1956: 25 T.C. 903 (1956). <i>American Water Works Company, Inc. v. Commissioner.</i>
Town of Oxford v. Oxford Water Company Decision dated March 29, 1984 (391 Mass. 581; 463 N.E.2d 330)
Town of Southbridge v. Southbridge Water Supply Company Decision dated October 15, 1976 (371 Mass. 209; 355 N.E.2d 920)
Town of Southbridge v. Southbridge Water Supply Company Decision dated January 14, 1992 (411 Mass. 675; 583 N.E.2d 1291)
Town of Falmouth v. Falmouth Water Co. Decision dated January 3, 1902 (180 Mass. 325; 62 N.E. 255)
Inhabitants of Tisbury v. Vineyard Haven Water Co. Decision dated November 26, 1906 (193 Mass. 196; 79 N.E. 256)
Town of Edgartown v. Edgartown Water Company Decision dated April 15, 1993 (415 Mass. 32; 610 N.E.2d 958)
Capital IQ Transaction Detail (Transaction ID IQTR8682237).
Financial and other information obtained from Capital IQ
FASAB Handbook as of June 30, 2013.
Willamette Formula Purchase Price Analysis dated June 29, 2012
Willamette Summary Appraisal Report dated June 29, 2012
Various documents obtained from the Town of Hingham Water Company Acquisition Study Committee Web Site ( <a href="http://www.hingham-ma.gov/Committees/Water_Company/documents.html">http://www.hingham-ma.gov/Committees/Water_Company/documents.html</a> )
Massachusetts Acts of 1879, Chapter 139.
Massachusetts Acts of 1881, Chapter 59.
Massachusetts Acts of 1924, Chapter 168.

## **Appendix B: Supporting Schedules**



**Schedule 1: Updated Opinion No. 3: Net Plant Purchase Price Summary as of June 30, 2014**

(continued)

12 months ending December 31,	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Contributed Equity (Hingham S.A.)	\$ 672	\$ 672	\$ 672	\$ 872	\$ 872	\$ 868	\$ 864	\$ 960	\$ 956	\$ 952
Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributed Equity (Hingham S.A. + WTP)	\$ 672	\$ 672	\$ 672	\$ 872	\$ 872	\$ 868	\$ 864	\$ 960	\$ 956	\$ 952
Return on Contributed Equity (Hingham S.A.)	\$ 67	\$ 67	\$ 67	\$ 87	\$ 87	\$ 87	\$ 86	\$ 96	\$ 96	\$ 95
Return on Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return on Contributed Equity (Hingham S.A. + WTP)	\$ 67	\$ 67	\$ 67	\$ 87	\$ 87	\$ 87	\$ 86	\$ 96	\$ 96	\$ 95
12 months ending December 31,	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Contributed Equity (Hingham S.A.)	\$ 948	\$ 944	\$ 1,090	\$ 1,086	\$ 1,079	\$ 1,072	\$ 1,065	\$ 1,058	\$ 1,051	\$ 1,044
Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributed Equity (Hingham S.A. + WTP)	\$ 948	\$ 944	\$ 1,090	\$ 1,086	\$ 1,079	\$ 1,072	\$ 1,065	\$ 1,058	\$ 1,051	\$ 1,044
Return on Contributed Equity (Hingham S.A.)	\$ 95	\$ 94	\$ 109	\$ 109	\$ 108	\$ 107	\$ 107	\$ 106	\$ 105	\$ 104
Return on Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return on Contributed Equity (Hingham S.A. + WTP)	\$ 95	\$ 94	\$ 109	\$ 109	\$ 108	\$ 107	\$ 107	\$ 106	\$ 105	\$ 104
12 months ending December 31,	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Contributed Equity (Hingham S.A.)	\$ 1,187	\$ 1,176	\$ 1,165	\$ 1,154	\$ 1,143	\$ 1,132	\$ 1,121	\$ 1,110	\$ 1,299	\$ 1,288
Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributed Equity (Hingham S.A. + WTP)	\$ 1,187	\$ 1,176	\$ 1,165	\$ 1,154	\$ 1,143	\$ 1,132	\$ 1,121	\$ 1,110	\$ 1,299	\$ 1,288
Return on Contributed Equity (Hingham S.A.)	\$ 119	\$ 118	\$ 117	\$ 115	\$ 114	\$ 113	\$ 112	\$ 111	\$ 130	\$ 129
Return on Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return on Contributed Equity (Hingham S.A. + WTP)	\$ 119	\$ 118	\$ 117	\$ 115	\$ 114	\$ 113	\$ 112	\$ 111	\$ 130	\$ 129
12 months ending December 31,	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Contributed Equity (Hingham S.A.)	\$ 1,277	\$ 1,266	\$ 1,405	\$ 1,394	\$ 1,383	\$ 1,372	\$ 1,361	\$ 1,350	\$ 1,347	\$ 2,024
Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributed Equity (Hingham S.A. + WTP)	\$ 1,277	\$ 1,266	\$ 1,405	\$ 1,394	\$ 1,383	\$ 1,372	\$ 1,361	\$ 1,350	\$ 1,347	\$ 2,024
Return on Contributed Equity (Hingham S.A.)	\$ 128	\$ 127	\$ 141	\$ 139	\$ 138	\$ 137	\$ 136	\$ 135	\$ 135	\$ 202
Return on Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Return on Contributed Equity (Hingham S.A. + WTP)	\$ 128	\$ 127	\$ 141	\$ 139	\$ 138	\$ 137	\$ 136	\$ 135	\$ 135	\$ 202
12 months ending December 31,	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Contributed Equity (Hingham S.A.)	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 3,447	\$ 3,447	\$ 3,447
Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654
Contributed Equity (Hingham S.A. + WTP)	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 8,427	\$ 8,427	\$ 8,427	\$ 9,101	\$ 9,101	\$ 9,101
Return on Contributed Equity (Hingham S.A.)	\$ 277	\$ 277	\$ 277	\$ 277	\$ 277	\$ 277	\$ 277	\$ 345	\$ 345	\$ 345
Return on Contributed Equity (WTP)	\$ -	\$ -	\$ -	\$ -	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565
Return on Contributed Equity (Hingham S.A. + WTP)	\$ 277	\$ 277	\$ 277	\$ 277	\$ 843	\$ 843	\$ 843	\$ 910	\$ 910	\$ 910
12 months ending December 31,	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Contributed Equity (Hingham S.A.)	\$ 3,447	\$ 3,447	\$ 3,447	\$ 3,447	\$ 3,447	\$ 3,447	\$ 5,097	\$ 5,097	\$ 5,097	\$ 5,097
Contributed Equity (WTP)	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654
Contributed Equity (Hingham S.A. + WTP)	\$ 9,101	\$ 9,101	\$ 9,101	\$ 9,101	\$ 9,101	\$ 9,101	\$ 10,751	\$ 10,751	\$ 10,751	\$ 10,751
Return on Contributed Equity (Hingham S.A.)	\$ 345	\$ 345	\$ 345	\$ 345	\$ 345	\$ 345	\$ 510	\$ 510	\$ 510	\$ 510
Return on Contributed Equity (WTP)	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565	\$ 565
Return on Contributed Equity (Hingham S.A. + WTP)	\$ 910	\$ 910	\$ 910	\$ 910	\$ 910	\$ 910	\$ 1,075	\$ 1,075	\$ 1,075	\$ 1,075
12 months ending December 31,	2011	2012	2013	2014						
Contributed Equity (Hingham S.A.)	\$ 5,097	\$ 5,097	\$ 5,097	\$ 5,097						
Contributed Equity (WTP)	\$ 5,654	\$ 5,654	\$ 5,654	\$ 5,654						
Contributed Equity (Hingham S.A. + WTP)	\$ 10,751	\$ 10,751	\$ 10,751	\$ 10,751						
Return on Contributed Equity (Hingham S.A.)	\$ 510	\$ 510	\$ 510	\$ 255						
Return on Contributed Equity (WTP)	\$ 565	\$ 565	\$ 565	\$ 283						
Return on Contributed Equity (Hingham S.A. + WTP)	\$ 1,075	\$ 1,075	\$ 1,075	\$ 538						

Net Plant Purchase Price Summary	Including WTP	Excluding WTP
Ending Net Plant	\$ 47,732,201	\$ 21,328,701
plus Interest	\$ 26,880,830	\$ 15,855,530
Less Dividends	\$ (16,176,247)	\$ (9,640,847)
<b>Net Plant Purchase Price</b>	<b>\$ 58,436,785</b>	<b>\$ 27,543,385</b>

**Schedule 2: Dividend Summary**

12 months ending June 30,		1879	1880	1881
Preferred Dividends (Hingham S.A.)		\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)		\$ -	\$ -	\$ -
Dividends (WTP)		\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)		\$ -	\$ -	\$ -

12 months ending June 30,		1882	1883	1884	1885	1886	1887	1888	1889	1890	1891
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	\$ 5	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 5	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7

12 months ending June 30,		1892	1893	1894	1895	1896	1897	1898	1899	1900	1901
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7	\$ 7

12 months ending June 30,		1902	1903	1904	1905	1906	1907	1908	1909	1910	1911
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	\$ 7	\$ 7	\$ 7	\$ 8	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 14
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 7	\$ 7	\$ 7	\$ 8	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 14

12 months ending June 30,		1912	1913	1914	1915	1916	1917	1918	1919	1920	1921
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	\$ 18	\$ 18	\$ 24	\$ 24	\$ 24	\$ 24	\$ 28	\$ 32	\$ 32	\$ 35	\$ 35
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 18	\$ 18	\$ 24	\$ 24	\$ 24	\$ 24	\$ 28	\$ 32	\$ 32	\$ 35	\$ 35

6 months ending December 31, 1921		12 months ending December 31,									
		1922	1923	1924	1925	1926	1927	1928	1929	1930	
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Common Dividends (Hingham S.A.)	\$ 18	\$ 35	\$ 35	\$ 35	\$ 26	\$ 26	\$ 26	\$ 26	\$ 13	\$ -	
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Dividends (Hingham S.A. + WTP)	\$ 18	\$ 35	\$ 35	\$ 35	\$ 26	\$ 26	\$ 26	\$ 26	\$ 13	\$ -	

12 months ending December 31,		1931	1932	1933	1934	1935	1936	1937	1938	1939	1940
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	\$ 70	\$ 57	\$ 53	\$ 35	\$ 35	\$ 44	\$ 35	\$ 35	\$ 35	\$ 35	\$ 22
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 70	\$ 57	\$ 53	\$ 35	\$ 35	\$ 44	\$ 35	\$ 35	\$ 35	\$ 35	\$ 22

**Schedule 2: Dividend Summary (continued)**

12 months ending December 31,	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	\$ 29	\$ 25	\$ 40	\$ 37	\$ 35	\$ 23	\$ 23	\$ 30	\$ 36	\$ 20
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 29	\$ 25	\$ 40	\$ 37	\$ 35	\$ 23	\$ 23	\$ 30	\$ 36	\$ 20
12 months ending December 31,	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ 5	\$ 11	\$ 10	\$ 10	\$ 10	\$ 10	\$ 9
Common Dividends (Hingham S.A.)	\$ 21	\$ 24	\$ 67	\$ 45	\$ 40	\$ 28	\$ 28	\$ 57	\$ 72	\$ 81
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 21	\$ 24	\$ 67	\$ 49	\$ 51	\$ 39	\$ 38	\$ 67	\$ 81	\$ 90
12 months ending December 31,	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Preferred Dividends (Hingham S.A.)	\$ 9	\$ 9	\$ 12	\$ 16	\$ 15	\$ 15	\$ 15	\$ 14	\$ 14	\$ 14
Common Dividends (Hingham S.A.)	\$ 80	\$ 93	\$ 105	\$ 85	\$ 100	\$ 99	\$ 85	\$ 57	\$ 50	\$ 57
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 89	\$ 102	\$ 117	\$ 101	\$ 115	\$ 114	\$ 99	\$ 71	\$ 64	\$ 70
12 months ending December 31,	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Preferred Dividends (Hingham S.A.)	\$ 13	\$ 13	\$ 12	\$ 12	\$ 11	\$ 11	\$ 10	\$ 9	\$ 9	\$ 8
Common Dividends (Hingham S.A.)	\$ 57	\$ 60	\$ 18	\$ 41	\$ 14	\$ 82	\$ 41	\$ 29	\$ -	\$ 50
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 70	\$ 73	\$ 30	\$ 52	\$ 26	\$ 92	\$ 51	\$ 39	\$ 9	\$ 59
12 months ending December 31,	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Preferred Dividends (Hingham S.A.)	\$ 8	\$ 7	\$ 7	\$ 6	\$ 5	\$ 5	\$ 4	\$ 4	\$ 4	\$ 0
Common Dividends (Hingham S.A.)	\$ 51	\$ 27	\$ -	\$ 131	\$ 111	\$ -	\$ -	\$ -	\$ -	\$ -
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 58	\$ 34	\$ 7	\$ 137	\$ 116	\$ 5	\$ 4	\$ 4	\$ 4	\$ 0
12 months ending December 31,	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	\$ 194	\$ 360	\$ 436	\$ 325	\$ 210	\$ 279	\$ 306	\$ 342	\$ 378	\$ 201
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 194	\$ 360	\$ 436	\$ 325	\$ 210	\$ 279	\$ 306	\$ 342	\$ 378	\$ 201
12 months ending December 31,	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	\$ 269	\$ 293	\$ 342	\$ 361	\$ 246	\$ 272	\$ 85	\$ 176	\$ 239	\$ 137
Dividends (WTP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,100	\$ -	\$ -	\$ -
Total Dividends (Hingham S.A. + WTP)	\$ 269	\$ 293	\$ 342	\$ 361	\$ 246	\$ 272	\$ 3,185	\$ 176	\$ 239	\$ 137
12 months ending December 31,	2011	2012	2013	2014						
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -						
Common Dividends (Hingham S.A.)	\$ -	\$ -	\$ 388	\$ -						
Dividends (WTP)	\$ 1,504	\$ 936	\$ 676	\$ 319						
Total Dividends (Hingham S.A. + WTP)	\$ 1,504	\$ 936	\$ 1,064	\$ 319						

**Schedule 3: Allocation of AWCMA Data to Hingham Service Area**

12 months ending December 31,	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>AWCMA Data:</b>														
Preferred Dividends (AWCMA)	N/A	\$ 6	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (AWCMA)	N/A	\$ -	\$ -	\$ 311	\$ 582	\$ 711	\$ 524	\$ 320	\$ 419	\$ 456	\$ 508	\$ 577	\$ 341	\$ 442
Total Debt (AWCMA)	N/A	\$ 7,541	\$ 7,277	\$ 7,849	\$ 8,546	\$ 9,704	\$ 13,763	\$ 8,490	\$ 11,082	\$ 11,054	\$ 11,509	\$ 11,509	\$ 11,896	\$ 13,865
Contributed Equity (AWCMA)	\$ 2,347	\$ 2,342	\$ 3,437	\$ 4,637	\$ 4,637	\$ 4,637	\$ 4,637	\$ 4,637	\$ 4,637	\$ 4,637	\$ 4,637	\$ 4,637	\$ 5,637	\$ 5,637
Gross Plant (AWCMA)	N/A	\$ 16,907	\$ 17,646	\$ 18,241	\$ 19,074	\$ 19,801	\$ 20,819	\$ 23,548	\$ 25,832	\$ 26,579	\$ 27,641	\$ 29,935	\$ 31,330	\$ 32,870
Depreciation reserve (AWCMA)	N/A	\$ 3,524	\$ 3,639	\$ 3,871	\$ 4,064	\$ 3,998	\$ 4,014	\$ 4,140	\$ 4,075	\$ 4,285	\$ 4,592	\$ 4,938	\$ 5,056	\$ 5,590
Net Plant (AWCMA)	N/A	\$ 13,383	\$ 14,007	\$ 14,370	\$ 15,009	\$ 15,803	\$ 16,805	\$ 19,408	\$ 21,757	\$ 22,294	\$ 23,049	\$ 24,997	\$ 26,274	\$ 27,280
% Gross Plant in Hingham S.A. (Excl WTP)	N/A	63.0%	61.9%	62.4%	61.9%	61.3%	62.1%	65.7%	66.6%	67.2%	67.4%	65.5%	58.8%	60.8%
<b>Hingham Service Area Allocation:</b>														
Preferred Dividends (Hingham S.A.)	N/A	\$ 4	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (Hingham S.A.)	N/A	\$ -	\$ -	\$ 194	\$ 360	\$ 436	\$ 325	\$ 210	\$ 279	\$ 306	\$ 342	\$ 378	\$ 201	\$ 269
Total Debt (Hingham S.A.)	N/A	\$ 4,750	\$ 4,505	\$ 4,897	\$ 5,288	\$ 5,953	\$ 8,544	\$ 5,581	\$ 7,379	\$ 7,429	\$ 7,752	\$ 7,541	\$ 7,000	\$ 8,426
Contributed Equity (Hingham S.A.)	\$ 1,350	\$ 1,347	\$ 2,024	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 3,447	\$ 3,447	\$ 3,447
Gross Plant (Hingham S.A.)	N/A	\$ 10,650	\$ 10,924	\$ 11,380	\$ 11,802	\$ 12,147	\$ 12,924	\$ 15,478	\$ 17,202	\$ 17,862	\$ 18,619	\$ 19,615	\$ 18,436	\$ 19,976
Depreciation reserve (Hingham S.A.)	N/A	\$ 2,220	\$ 2,253	\$ 2,415	\$ 2,515	\$ 2,452	\$ 2,492	\$ 2,721	\$ 2,713	\$ 2,879	\$ 3,093	\$ 3,236	\$ 2,975	\$ 3,397
Net Plant (Hingham S.A.)	N/A	\$ 8,430	\$ 8,671	\$ 8,965	\$ 9,287	\$ 9,695	\$ 10,432	\$ 12,757	\$ 14,488	\$ 14,983	\$ 15,526	\$ 16,380	\$ 15,461	\$ 16,579
<b>12 months ending December 31,</b>														
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
<b>AWCMA Data:</b>														
Preferred Dividends (AWCMA)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Common Dividends (AWCMA)	\$ 479	\$ 640	\$ 663	\$ 453	\$ 510	\$ 160	\$ 326	\$ 440	\$ 247	\$ -	\$ -	\$ 690	\$ -	
Total Debt (AWCMA)	\$ 14,490	\$ 19,166	\$ 20,229	\$ 21,292	\$ 19,852	\$ 18,209	\$ 19,865	\$ 20,320	\$ 19,573	\$ 19,776	\$ 19,330	\$ 17,273	\$ 17,273	
Contributed Equity (AWCMA)	\$ 5,637	\$ 5,637	\$ 5,637	\$ 5,637	\$ 5,637	\$ 8,737	\$ 8,737	\$ 8,737	\$ 8,737	\$ 8,737	\$ 8,737	\$ 8,737	\$ 8,737	
Gross Plant (AWCMA)	\$ 33,207	\$ 40,190	\$ 42,298	\$ 46,189	\$ 48,166	\$ 51,309	\$ 53,364	\$ 54,487	\$ 60,227	\$ 61,707	\$ 62,800	\$ 63,888	\$ 65,209	
Depreciation reserve (AWCMA)	\$ 6,103	\$ 6,600	\$ 7,380	\$ 8,300	\$ 9,396	\$ 10,245	\$ 11,061	\$ 11,918	\$ 11,759	\$ 12,620	\$ 13,983	\$ 14,891	\$ 15,305	
Net Plant (AWCMA)	\$ 27,104	\$ 33,590	\$ 34,917	\$ 37,889	\$ 38,770	\$ 41,064	\$ 42,303	\$ 42,569	\$ 48,469	\$ 49,088	\$ 48,818	\$ 48,997	\$ 49,904	
% Gross Plant in Hingham S.A. (Excl WTP)	61.2%	53.5%	54.5%	54.3%	53.3%	53.2%	53.8%	54.2%	55.3%	55.9%	56.2%	56.3%	55.8%	
<b>Hingham Service Area Allocation:</b>														
Preferred Dividends (Hingham S.A.)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Common Dividends (Hingham S.A.)	\$ 293	\$ 342	\$ 361	\$ 246	\$ 272	\$ 85	\$ 176	\$ 239	\$ 137	\$ -	\$ -	\$ 388	\$ -	
Total Debt (Hingham S.A.)	\$ 8,864	\$ 10,251	\$ 11,024	\$ 11,560	\$ 10,579	\$ 9,693	\$ 10,688	\$ 11,016	\$ 10,817	\$ 11,051	\$ 10,862	\$ 9,723	\$ 9,644	
Contributed Equity (Hingham S.A.)	\$ 3,447	\$ 3,447	\$ 3,447	\$ 3,447	\$ 3,447	\$ 5,097	\$ 5,097	\$ 5,097	\$ 5,097	\$ 5,097	\$ 5,097	\$ 5,097	\$ 5,097	
Gross Plant (Hingham S.A.)	\$ 20,313	\$ 21,496	\$ 23,050	\$ 25,077	\$ 25,666	\$ 27,314	\$ 28,711	\$ 29,540	\$ 33,286	\$ 34,482	\$ 35,290	\$ 35,964	\$ 36,408	
Depreciation reserve (Hingham S.A.)	\$ 3,734	\$ 3,530	\$ 4,022	\$ 4,506	\$ 5,007	\$ 5,454	\$ 5,951	\$ 6,461	\$ 6,499	\$ 7,052	\$ 7,857	\$ 8,382	\$ 8,545	
Net Plant (Hingham S.A.)	\$ 16,580	\$ 17,966	\$ 19,028	\$ 20,571	\$ 20,659	\$ 21,860	\$ 22,760	\$ 23,079	\$ 26,787	\$ 27,430	\$ 27,432	\$ 27,582	\$ 27,862	