ANNUAL HINGHAM TOWN MEETING

HELD AT:

Hingham High School
17 Union Street
Hingham, Massachusetts

DAY 1

Monday, April 23, 2012
To begin: 7:00 p.m.

ARTICLE 19

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(No response)

MODERATOR: It is a unanimous vote.

Article 19. Now we slow down a bit. This relates to the feasibility study for the acquisition by the Town of the assets of the Water Company. And I will call on Mr. Rabuffo, who wishes to present an amendment -- proposed amendment.

MR. RABUFFO: Thank you, Mr. Moderator.

Bruce Rabuffo, One Dwiggins Pathe.

As many of you may have learned from Aquarion's recent public statements, the company has just accelerated by more than a year its repair of the Union Street water main, which will begin two days from today, and added repair of the Free Street main within the next twelve months.

Further, Aquarion has agreed to provide the Town with financial data by June 15th, that the Town might otherwise have had to request through the courts if Town Meeting approves Article 19 this evening.

In recognition of the spirit of cooperation, at last Thursday's meeting of the Selectmen, the Board revised downward the amount of money the Town may need to answer the questions this
The Selectmen now estimate the amount necessary to be $320,000, not the $500,000 we estimated when Aquarion did not seem to be as cooperative.

Following consideration of this amendment of the study funding appropriation, the Selectmen intend to present the rationale for why such a study is in the best interest of rate payers, and the Town.

Accordingly, the Board of Selectmen moves that the Town appropriate $320,000 from available funds to be used by the Board of Selectmen for those purposes as enumerated in the recommended motion for Article 19 printed in your warrant.

MODERATOR: It's moved and seconded -- Thank you. It's moved and seconded by the Board of Selectmen that the recommended motion be changed, amended by striking out $500,000 and substituting $320,000.

Is there discussion of that motion to amend?

(No response)

MODERATOR: If not, we come to vote on the motion to amend.
All those in favor, please say aye.

(Verbal responses)

MODERATOR: Those opposed, no.

(Verbal responses)

MODERATOR: The motion to amend is adopted, and the recommended motion before you now has been amended, and I will read it because it is amended.

That the Town appropriate $320,000 from available funds to be used by the Board of Selectmen for professional fees and costs, including but not limited to engineering services, financial services, valuation services and legal services to investigate the feasibility of the acquisition of the corporate property and all rights and privileges including the assets of the Town's water company, now known as Aquarion Water Company of Massachusetts and/or affiliated and related companies pursuant to statutes 1879, Chapter 139 or through any other method of acquisition including any negotiation or litigation the Board of Selectmen may determine to be necessary or advisable in order to determine whether the acquisition is feasible and advisable for further Town Meeting consideration.

So that's the motion before the Meeting.
And I believe Ms. Power, of the Advisory Committee, will like to speak first.

    MS. POWER: Mary Power, One King Philip Path, speaking on behalf of the Advisory Committee, who unanimously supports Article 19. We believe Town ownership of the water company could be financially beneficial to rate payers and the Town.

    Specifically, a town owned water company wouldn't have to generate a ten percent return on equity, pay dividends, corporate overhead, local, state or federal taxes. It also wouldn't have to pay litigation expenses associated with other communities or defend rate cases.

    In terms of Town costs, we wouldn't have to pay upwards of $100,000 to defend rate cases every three years, and we wouldn't have to pay $320,000 every year for emergency water for our fire hydrants.

    All these items have the potential to reduce Hingham water rates and bills, which average $919 per household, the fifth highest in the state.

    The Department of Public Utilities approved a 20.6 percent increase in 2009, and a 10 percent increase last month. As we have done with other Town costs, the Advisory Committee believes we should
analyze service delivery alternatives.

Advisory recognizes the importance of fully developing the South Hingham Industrial Park area, so the Town is less reliant on residential property taxes. Existing commercial businesses currently contribute over $4,000,000 in tax revenue each year to the Town. Some of them want to expand, and there are other new businesses that want to come to Hingham. Aquarion hasn't been easy to do business with.

Advisory is also concerned that Aquarion is not sufficiently investing in capital to maintain the water infrastructure, potentially leading to higher than necessary future capital costs and placing rate payers at risk for service interruptions, similar to those experienced by Union Street residents.

The final concern is ownership. Today, Aquarion is owned by a private equity fund of Macquarie, an Australian bank. They recently sold at least a one-third stake to a Canadian pension fund, leaving some our members to question just how long Macquarie plans to own any part of our water company. One wonders whether the intensive publicity blitz is because Hingham's propelled study is interrupting
other plans Macquarie has.

You’ll pardon the pun, but in the private equity world, the utility of any company is its ability to attract investors by showing strong returns. How do you do that? By investing the minimal amount of capital and raising rates as often and high as you can. Then you sell the company to somebody else, and the cycle begins all over again.

The Advisory Committee is concerned about the long-term impact of this dynamic on our water infrastructure and your water rates. It's a major reason why we recommend studying the potential of Town ownership.

As you have heard the appropriation request for this article has been reduced to $320,000. The Advisory Committee believes these monies are necessary to perform a complex analysis of this size and scope that would be conducted by Town volunteers, utilizing paid experts with specialized skills as needed. We do not believe the Town would be able to complete a thorough analysis for any less than this amount.

As a point of reference, the Town's 2011 comprehensive wastewater management plan cost
approximately $400,000.

Let me speak for a moment about the source of funds which is our fund balance.

Could I have the slide please.

In 2009, fund balance was 8.9 percent of total annual expenditures or TAE. Our financial policy is area shaded gray on the chart, which is 14 to 18 percent. At the end of the 2011 fiscal year, fund balance is 16.7 percent, or the middle of the range.

During two years of some of the most challenging economic times, Hingham replenished fund balance, began funding our OPEB liability, increased funding for our roads, opened a fourth elementary school, and regionalized some Town services.

We are accustomed to and successful in managing multiple priorities. It's what triple A bond communities do.

If the entire amount being requested tonight were to be spent and there were no other changes to fund balance, it would be reduced to 16.4 percent, still in the middle of the range.

But there is some new and good news. We expect to have a budget surplus at the end of this
fiscal year that will more than cover the maximum estimated cost of this study. Which is not to say the Advisory Committee considered this request lightly. In fact, our unanimous vote took place before we knew there would be budget savings, and when the appropriation request was its original $500,000 amount.

One last point. In researching the number of communities in Massachusetts currently served by a private company like Aquarion, seventeen out of three hundred fifty-one communities, we came across a 2009 dissertation that analyzed public versus private ownership of Massachusetts water companies. It even included case studies on towns including Hingham. Among its conclusions was the following.

On average, the publicly owned and operated systems provided water to the consumer at the lowest rate.

The Advisory Committee unanimously recommends favorable action on Article 19.

MODERATOR: Mr. Rabuffo of the Board of Selectmen.

MR. RABUFFO: Thank you again, Mr. Moderator. Bruce Rabuffo, One Dwiggins Pathe.
We want to state at the outset that
Selectman John Reilly has recused himself from this
discussion entirely.

Why are we having this discussion? Here
there are events that cause the Board of Selectmen to
draft this article.

May I have the slide please.

Aquarion requested an 18.7 percent rate
increase in the fall. They have now received rate
increases of 30 percent since 2009.

As part of its decision on the rate
increase, the Department of Public Utilities
guaranteed Aquarion an astonishing 10 percent yearly
return on equity.

There were six water main breaks in the
Union Street area in one year, and we know it's just
the tip of the iceberg of maintenance of properties.

This Board has reason to be concerned about
Aquarion's willingness to increase water service to
the South Shore Industrial Park.

These particular events, against a
background of complaints about high rates and poor
service going back years, are what sparked this
discussion.
The water company was founded by Hingham citizens in 1879, and has always been a private company. Several times the Town has considered exercising its right to buy the company, which was written into the company's charter by our state legislature.

The Committee that studied this question most recently in 1985, did not recommend it. One reason was that the Town did not have the kind of professional management structure which would be needed to effectively operate such a concern.

Also, the relations with the American Water Company were then open and cordial, which made it easy to address issues.

A third reason was that the DPU had just disallowed much of a requested rate increase and the Committee felt optimistic that the potential for large increases in the future was low.

None of these conditions exist today.

Next side please.

First, in 1985, the Committee was right to be concerned about professional management. We didn't even have then a Town Administrator. Today, in addition to normal Town operations, Hingham owns
several successful businesses, including our electric utility. Our Board is not involved in the running of Hingham Light, but the feedback we hear about the rates and the customer service of the municipal light plant is in stark contrast with comments we receive about Aquarion.

Our congratulations to Hingham Municipal Light Plant.

And if anyone wonders if the Town should be in the utility business, please recall that we have been in that business for a hundred and twenty-two years, and very successfully.

What about relations with Aquarion today? In 2006, as you heard, the company was bought by an Australian investment bank. Investment banks are all about return on equity. They are not about customer service at the companies they hold.

Add this to the concern, the spectacle of lengthy and costly litigation, which Aquarion is pursuing to prevent the Town of Oxford from exercising its legal right to buy the water company. Aquarion even asked the DPU to allow them to charge union rate payers for the legal costs against Oxford. And as a result, we will be paying
half of Aquarion legal costs in that suit.

Also, Aquarion has repeatedly said that the company is not for sale, a denial of their legal obligation, to make it for sale to the Town, which was spelled out in the company's charter when they bought it, and is still operative today.

And optimism about future rate increases is at an all-time low.

We must emphasize that we have not made up our minds that the right thing to do is to acquire the company. There are too many large unanswered questions. That's why we are asking for your support in studying this idea.

The original estimate cost of this study, $500,000, was based on our concern that Aquarion might possibly do what they have done in Oxford, and oppose the Town's legal right to acquire.

In recent days though, Aquarion has expressed some willingness to cooperate with our investigation. We hope therefore that there will be no litigation over our right to buy. At this point, we believe legal expenses would only involve settling disagreements over what information Aquarion should provide us. This has enabled us to lower the
projected cost to $320,000.

Some have asked why do we need to spend any
money at all? Why not recruit volunteers?

We will definitely use volunteers as far as
possible. The Selectmen have formed a committee to
oversee this process, if Town Meeting agrees to begin
it. And we have sought a broad spectrum of talent to
serve on it, with pertinent financial and legal
skills, and including representation from the Water
Supply Committee and the Sewer Commission. But this
will be a lengthy study, involving a very substantial
time commitment and considerable professional
expertise.

The scope is far beyond what we can ask our
volunteers. The financial, legal and engineering
questions are complicated and technical, and there's
no point in even beginning the study if it won't be
thorough enough to give us complete confidence in its
results.

MODERATOR: All right. Ms. Burns, the
Board of Selectmen.

MS. BURNS: Much of the proposed expense is
for expert review of the information Aquarion
provides to us. We need this review because in all
honesty, they have not been completely candid with you about some of the issues. Let just give you three examples.

Aquarion published estimates of the value of the company in the $100,000,000 range. You'll notice that they always begin their estimates with the value of the water treatment plant, which was, indeed, very, very expensive to build. But what they haven't mentioned is that Aquarion Water does not own the treatment plant.

In estimating the value of their company for you, they are claiming as an asset something which they don't even own. It belongs to a separate company, another subsidiary of the parent investment firm.

Aquarion Water holds a long-term lease for the plant. The Town could very well consider acquiring the lease and not the plant. The price would plunge because the plant represents the lion's share of what they claim as assets. And would it make sense to structure the purchase that way? We don't know. We need to study it.

But Aquarion has not been candid about the ownership of the treatment plant. Instead, they just
built it into their price estimates they gave you to produce the highest possible price.

Another example, Aquarion would like you to believe that we would lose $700,000 in yearly revenue if we purchase the company. They say that amount represents the taxes they pay.

Aquarion Water actually pays $450,000 in taxes; that's what they paid last year. And the entity that owns the water treatment plant paid $220,000. If the Town purchased Aquarion and stepped into its lease for the treatment plant, $220,000 of that revenue stream would continue. Lost revenue would then be $450,000, but of course any loss of tax revenue should be set off against any savings we might realize.

For example, the Town pays Aquarion a fee of approximately $320,000 per year for the water that stands in our fire hydrants. We won't pay this fee to ourselves if we own the water company. That brings the loss to about a hundred and thirty thousand dollars.

But another saving might well be the guaranteed ten percent per year return on equity that we currently ship to Australia. Ten percent.
Not to mention the $200,000 in legal expenses to oppose rate increases over the last three years.

So lost tax revenue is just one piece of a very complicated picture. We don't know if it all adds up to a case for buying the company. We need to study it.

A third example. Aquarion stated in the mailing that, quote, our Hingham operations are not for sale. It is important to defend our private property rights, close quote.

They do not have this right that they speak of. The legislation which created the company guarantees the Town the right to purchase it without the use of eminent domain to do so. There is no such thing as the water company being not for sale to the Town of Hingham. The legislature gave us this right in the event that private ownership ceased to serve the needs of the rate payers. It's possible that that moment has arrived. We need this study to find out.

Many are concerned about the condition of the pipes, the remaining major part of the equipment. But we will be paying to repair that equipment no
matter who owns it. If we own it, we'll pay to
repair it. If Aquarion owns it, they will charge
rate payers for the repairs, plus a ten percent
markup for the folks in Australia.

After years of poor service and rate
increases, suddenly in the last few weeks, Aquarion
has suggested that we sit down and talk, so we did to
try to reach a compromise.

An agreement was drafted, in which the
company would make available the information we need.
It included a mechanism for resolving disputes and
provided a nonbinding mediation to try to reach an
accommodation after the study. In return, the Town
would agree not to initiate litigation unless a
future Town Meeting agreed.

Our Board indicated our willingness to
sign, and we were optimistic that we could bring you
this news today.

Late yesterday, Aquarion told us they would
not sign. Our guess is they felt that if Article 19
did not pass, they would no longer have any need
whatsoever to cooperate with the Town.

We have sat down to discuss matters as they
suggested, but we have no fruits to show for it so
far. If we want cooperation, we need to keep the
pressure on by approving this article.

Next please.

I'd like to mention one other cause. We
all received in our mailboxes a postcard warning us
not to vote for this article, or perhaps two or more.
In different colors. I got five, plus two letters.

We estimate the mailing costs alone to be
about $25,000, not including printing, producing the
copy, or legal review. I don't know you feel about
Aquarion using the money that you pay them to deliver
water to instead deliver two color glossy postcards,
but I was not happy. I want to reassure you that
contrary to what the postcard suggests, Article 19
will have no effect on your taxes whether you approve
it or not.

The Board of Selectmen will not be sending
you glossy postcards to explain that. We don't have
a public relations firm.

Aquarion is not answerable to you for how
they spend your rate payer dollars, but we certainly
are answerable for your taxpayer dollars. We are at
a disadvantage though, faced with an extravagant
public relations barrage like this.
MODERATOR: You have one minute.

MS. BURNS: Thank you.

So we're asking this question, not because we know the answer, but because citizens have pressed their concerns on us in an ever-increasing crescendo over the years. It would be much easier to ask for a lower sum or no sum, but we could not in good conscience guarantee that you would receive the careful, thorough, professional examination required without having adequate means to do it.

We ask you to vote for this article and make available this sum so that we don't go into this task with one hand tied behind our backs.

Thank you.

MODERATOR: I've had a request from Harry Hibbard and Joe Connor, who are representing the Water Company, to have the opportunity to address the meeting. Mr. Hibbard is the manager of Aquarion for this area. Mr. Connor is legal counsel. Neither of course is a Hingham voter. And I explained to them our custom has been to put to the Meeting the opportunity to hear others. The Meeting has customarily voted in favor of doing that.

So I would like to put to you the question
of whether we -- whether we should -- may recognize
Mr. Hibbard and Mr. Connor to address you.

    All those in favor, please say aye.

(Verbal responses)

    MODERATOR: Those opposed, no.

(Verbal responses)

    MODERATOR: The aye's have it. I'll call
on Mr. Hibbard first.

    MR. HIBBARD: Thank you, Mr. Moderator.
And thank you, ladies and gentlemen, for giving us
the opportunity to address you tonight.

    We're here to give you ten reasons why this
is a bad idea.

    We urge you to vote no on Article 19.
    The first reason, the water company is not
for sale. That has a couple of important features.
    First, we are not and never have been for
sale.

    Through the changes in upper ownership that
were described earlier, Aquarion Water Company has
continued to run this water system.

    We have no plans to sell, and any
suggestions to the contrary are pure speculation.

    Number two. This is very important. This
is not just a study. This article authorizes the
Town of Hingham to file a lawsuit against our company
to determine the price. That is the first step down
a very slippery slope that will be long, costly and
divisive.

Once you file a lawsuit, you can't turn
that faucet off, ladies and gentlemen. The courts,
the process decide exactly what that's going to cost.

Number three. Does the Town of Hingham
really want to be responsible for Hull and Cohasset?
You have to ask yourself, does Hingham really want to
be a regional water supplier? Forty percent of our
customers live in Hull and Cohasset.

The Town will be responsible for the
customer service obligations, responding to the
inquiries of these towns. Forty percent of our main,
which are the pipes that deliver you the water, are
located in the towns of Hull and Cohasset. That's
forty percent of the infrastructure investment that
has to be made every year, has to take into account
the towns of Hull and Cohasset. The advantage of a
private water company is we do not know or recognize
municipal boundaries.

Reason number four. There are -- there
have been several reasons proffered with which we respectfully disagree. The first is that it's important for the Town to control the water supply. This is a common fallacy. In fact, we don't control the water supply. The water supply is owned by the citizens of the Commonwealth of Massachusetts. We do not control how much water we take out of the ground. We do not control how that water is treated. We do not control any of the manners in which we use and treat that water. That is all controlled by the Department of Environmental Protection and by the Environmental Protection Agency of the United States Government. And be very clear, that does not change under Town ownership. So it's a fallacy to suggest that it's a benefit to the Town to control its water supply.

Second is control over infrastructure. Be very clear, too, that we have a comprehensive capital efficiency program that guides our infrastructure investment. It too does not recognize political boundaries.

The capital investment in Hingham and Hull and Cohasset alone this year is 1.4 million dollars. By way of contrast (phonetic), this is the equivalent
of your entire Town capital budget.

We are committed and we have committed and we will follow through on the commitment to work with the Town to seek input and consultation around our capital investment program, but it is a significant investment.

The next point is rates. Just as a level set, ladies and gentlemen, you're paying one point three cents per gallon for your water.

Water is by far your smallest utility bill.

And make no mistake about it, rates will go up if the Town takes over this company. The acquisition cost alone and the amount of money necessary to service that cost is enough to drive your rates up.

In addition -- every year you'll have to invest -- to maintain what we're investing, you'll have to invest a million and a half dollars a year. The payment of those -- and that will be borrowed. The payment of that debt is going to exert upward pressure on your rates every single year.

Finally, there is a suggestion that somehow we have stood in the way of economic development and we aren't available and willing and able to help in
the development of South Hingham and the South Shore Industrial Park.

MODERATOR: You have one minute left.

MR. HIBBARD: Thank you, Mr. Moderator.

We have cooperated with the Town every single step of the way in the development of the -- of South Hingham. In fact, when Linden Ponds was built, we cooperated with the Town to preserve the water supply for future economic development for this Town. We came up with a way to solve that.

We have just approved the project for the South Shore Education Collaborate in the Hingham Industrial Park, and we have also approved a project, just last week, on Abington Street, which is on the other side of the South Shore Industrial Park.

We are also recommending the formation of an Economic Development Council to bring all the stakeholders in that part of Hingham to the table to work on a comprehensive plan to make sure all of the infrastructure needs are there for the South Shore Industrial Park.

MODERATOR: Your time is expired. Sorry.

MR. HIBBARD: Thank you very much.

MODERATOR: All right.
Mr. Connor.

MR. CONNOR: Thank you, Mr. O'Donnell. And thank you, Town, for allow us to speak this evening on behalf of Aquarion Water Company and its employees.

In 1879, this charter was first adopted. It was a different time. We have the same formula though today. And to say that we're not willing to sell is just that. The Town does have the right to buy. The question will be the price. That's what -- where the dispute will raise. Our cooperation and continued service for this community will not stop during that process if it goes forward. We hope it doesn't. We hope you save your money.

The 1879 formula actually is quite simple. It's the actual cost incurred plus ten percent interest per annum, minus dividends paid. It's very simple.

We're in the process right now of determining that amount. And what you have to do, you have to go back to 1879 and decide -- and determine from your records what was invested each year, what's still there, and apply an interest rate from 1879 per year forward.
We did not negotiate that. That's what the legislature imposed in regard to the charter. It's there for us and we live by it, as well as the Town will and does.

This formula was confirmed by your own Supreme Court in 1938.

I will use a simple example, and I beg to disagree with Ms. Powers in regard and Ms. Burns in regard to the ownership of this company. There was in 1996 -- there's nothing to be hidden by it. When the plant -- water plant was approved by the DPU, the financing for that plant was done in order to accommodate and save over eighteen million dollars in financing by setting up a capital structure where there was a lease and the owner, the landlord, is a wholly owned subsidiary of Aquarion Water Company, not Macquarie. Aquarion Water Company.

We can't litigate that here, but it's our view that that would still fall under this formula. Using that as a -- as the formula, thirty-five million dollars in 1996, times ten percent per year fifteen (phonetic) years does in fact equal eighty-seven point five million dollars. That's just the plant.
We have a hundred and ninety miles of pipe, three thousand valves, over 3.75 million gallons of storage capacity. This is a quality system, it has its issues, and we're prepared to continue addressing those issues.

One of the reasons I'm here though is not to tell you about that. It's to tell you about some lessons learned that we've learned throughout the years in other communities. And I'm not here to say that other communities has the answer -- or have the answer for your community, but you need to take this into consideration as you proceed forward and spend up to $320,000.

There's three things. Will you put the slide up please, Jim. Or Mark.

Three -- four communities. Grafton, Massachusetts; Felton, California; Peoria, Illinois; Nashua, New Hampshire. I was involved as lead counsel for the defense in the last three. I was only two years out of law school when Grafton, Massachusetts, started. And it lasted for ten years.

In each of these -- the reason I've raised these examples, three things were common. Every one
of these cases started with a feasibility study. And once they started and once the dollars started to be spent, it became a slippery slope. You heard that word -- those words before because they came -- the communities became vested. The administrators became vested. The Commissioners became vested. They're not bad decisions necessarily, but different from what we would suggest. But they went forward with the process.

In every case, the government number or the valuation that the government -- of the systems was significantly less than the final price. Sure, those were different types of valuation formulas, but we contend, based on what we heard even here tonight, there's going to be a significant contention, potentially, by the Town, that the price is much less than the formula calls for.

In each of these instances, the Towns were left holding the bag, except in Peoria, Illinois, where they did not go forward. Eighty-two percent of the public voted not to go forward.

Again, the final lesson, I would say, is that this is a time-consuming process. Each one of these cases took anywhere from six to ten years to
complete from start to finish, through acquisition, or the decision not to go through.

I can give you many more examples of communities that went through a study process, spent millions of dollars throughout those years and still did not buy their systems.

You have studied this before. The Selectmen told you and Ms. Powers about three other studies or attempts. In 1958, Town Meeting voted not to do a feasibility study. Period. Not to do it. There's precedent for that.

In 1985, the Water Supply Committee recommended to not proceed after a study was performed. They didn't say about the 2009 study that was done by the Hingham Municipal Light Plant.

MODERATOR: You have one minute left.

MR. CONNOR: Thank you. That study was done by CDM, Camp Dresser McKee, found no operational efficiencies in ownership by Hingham Light. It cited Grafton as an example of a takeover that went bad, and in the end did not recommend proceeding and in fact noted that it would be close to fifty percent increase potentially if they went forward.

This is an issue of priorities we're
prepared to present to you in this town, and we're
going to do it no matter what happens tonight. We're
going to do it no matter what happens.

We're in the process of preparing an
evaluation of the price according to the formula by
an expert. You will be provided by June the 15th, or
sooner, a report that details all our investments in
the system, applies the interest rate according to
the formula, deducts the dividends paid, and
determines a price.

We don't have to do that under the charter.
We don't have to do that. We're going to do that,
again, regardless of what happens.

I'd encourage you tonight to recognize -- I
know you will. This is a great town and a great
process. It's an entity and process.

There are all kinds of other priorities in
your warrant booklet. I encourage you to look at
those.

Thank you. And please vote no.

MODERATOR: Thank you. Mr. Manning.

MR. MANNING: Good evening, ladies and
gentlemen.

Well, I must have shrunk.
My name is Bernard Manning, and I live at 59 Cushing Street.

On January 29th, 2009, Camp Dresser McKee, the world-famous consulting engineering firm, sent a technical memorandum to the Hingham Municipal Light Plant. Subject: Evaluation of the acquisition of Aquarion Water Company. It is marked Private and Confidential. I was fortunate enough to get it.

It was a black bag job, by the way.

They summary noted that two methods are used to determine the purchase price for a water utility. The first known as net asset value of the company, which CDM Engineering calculated at 42,000,000. This meant that if the purchase price were recovered over twenty years from water rate revenues alone, the Town would have to increase rates 41 percent in 2009.

Now, this is an objective analysis by the best firm in the country, and it doesn't have an ax to grind, it makes it objective. If the price --

If the net replacement value of Aquarion calculated at 72,000,000 were used when the water rates would have to increase 57 percent in 2009.

At the present time, Aquarion values just
the water treatment plant at 87.5 million. The value of the delivery system is not available, but it could bring the total value to well over a hundred million.

Imagine what an increase that would be in your water rates.

CDM noted the plant is in good condition but operating at near capacity at peak demand, so an expanded plant is in the future.

The distribution system requires a significant financial investment because of age, condition and undersized water mains. A new staff, of course, would have to be hired.

The engineering firm noted special legislation appears necessary to acquire a water system serving customers outside of Hingham, and the creation of a water district would be required.

Now, a water district is an independent agency that's not under Town control because a town cannot directly sell water to the inhabitants of another town, but must sell the water to another town that may then distribute the water to its inhabitants. This is an additional expense and certainly a complication.

While Mass. law would allow Hingham to
incur debt for the purchase of the water company to
serve its own inhabitants or for the purpose of
serving customers in Hull and Cohasset would not be
included, a regional water department would be formed
under Mass. law directly through special legislation,
but Hingham would need the support of its neighbors
for its successive passage.

If the two parties cannot agree on a price,
then the water district could pursue the eminent
domain process. The Town of Grafton offered a case
study and that was presented on the board.

Experience has demonstrated that both
parties should negotiate a sale price agreeably to
each and eliminate lengthy and costly court
proceedings because no method of containing a fair
market value in the case of water utilities has been
established.

This factor may result in a financial
problem for the municipality since the company may be
viewed by a jury as a victim of an unwanted takeover
and receive a big damage award in retribution.

I recall that Hingham previously had a
disastrous experience with an eminent domain
procedure. In 1985 the Queenar Corporation sold --
sold the South Shore County Club to three developers for four million dollars. Two years later, the Town took the property --

MODERATOR: You have one -- you've got one minute left.

MR. MANNING: Thank you.

-- by eminent domain for 7.5 million. The developers made 3.5 million on a four million dollar investment. Many of these cases the (inaudible) doubles over what the company is expecting.

The Hingham Board of Health lists 325 households using private wells because the Town water is not available. Presently Aquarion has 7,836 customers in Hingham and 4,580 in Hull and 325 in Cohasset.

CDM Engineering did not mention property tax increases because 40 percent of the customers are in Hull and Cohasset that Hingham cannot tax, so huge --

MODERATOR: Your time's expired.

MR. MANNING: Thank you.

MODERATOR: Mr. Ryan.

MR. RYAN: Good evening. Kerry Ryan, special counsel to the Town of Hingham.
I just wanted to clarify a couple of legal issues that have come up in the last two speakers, so that the Town Meeting can be clear.

Number one, some of the charts that were shown giving these huge number differences, and also some of the last references to eminent domain, do not apply to this -- this matter at all. This case does not involve anything about eminent domain. The courts are very clear about that.

The right to acquire the water company arises from the 1879 statute enacted by the General Court. It states the Town of Hingham shall have the right at any time during the continuance of the charter hereby granted to purchase the corporate property and all the rights and privileges of said company. And then it goes on.

So to the extent folks start talking about eminent domain, you should just realize those cases and that area of law does not apply to this matter.

One other area is there was a reference to the 2009 Hingham Municipal Light Plant study. That was a twenty-five page study, done in 2009, by Camp Dresser and McKee. That study did not even realize apparently, and perhaps nobody told them that this
statute existed. So the study in no way even dealt with the 1879 statute and the formula it gave for the purchase price that's set out in that statute.

Another thing the Camp Dresser and McKee study did was that it included the cost of the plant as a given that the Town would have to purchase it. As was indicated to you by the Board of Selectmen, the plant is owned by a separate company. It's very complicated, quite honestly, and the plant itself for tax and bond purposes was specifically set aside in a separate company. It's not something that collapses down and then just becomes part of Aquarion or the water company, and just because their parent is involved with that subsidiary doesn't mean it collapses down.

The long-term lease that was entered into in 1995, specifically in Section 4.4, Section D, Section III. And we don't need to get into the details, but you need to know at least it specifically gives the Hingham -- Hingham, if it does take this property, the water company, the right to step into that long-term lease. And so the idea that you have to purchase the water company versus just simply stepping into the long-term lease is a huge
swing in purchase price that the CDM study did not recognize and that quite honestly some of the prior charts did not recognize.

One other item was there was a mention that well, if you add interest, oh, my goodness, the price again goes through the roof.

One of the items that's not mentioned in connection with that is the formula then reduces the interest number by dividends paid. This is not going to be just a simply, oh, it's going to be off the charts. Somebody's going to have to sit down and calculate these numbers, and it's going to take a little bit of effort. I don't think any of us can stand up here right now and tell you what that number is. I believe that's why the Board of Selectmen have recommended this study.

I hope I have at least hit the critical items that seem to be from a legal perspective that I wanted to clarify for you.

Thank you.

MODERATOR: Mr. Sullivan.

Mr. Sullivan has handed me a proposed amendment to the motion under Article 19, and I'll be glad to read it if you wish.
In the second line of the recommended motion which is in the book, the number printed of course if $500,000. The proposal is now 320,000. Mr. Sullivan proposes that be changed to 100,000. And, the second part of his proposed amendment is that after the words "statute 1879, Chapter 139," a period be placed, and all the remaining words in the motion be deleted. So that the words "or through any other method of acquisition, including any negotiation or litigation, the Board of Selectmen may determine to be necessary or advisable in order to determine whether the acquisition is feasible and advisable for further Town Meeting consideration."

Those words would all be deleted under his proposed amendment, and the dollar amount would be changed from 320,000 to 100,000.

So that's the proposed amendment. Is it seconded?

UNIDENTIFIED VOICES: Second.

MODERATOR: It is seconded.

Mr. Sullivan, you have the floor. We're now going to discuss your proposed amendment.

MR. SULLIVAN: Thank you very much.

The original number in the Selectmen's
article was a guess. There's no plan that I've seen, no quantitative analysis, no specifics concerning where the money would go. It was simply to entrust us, but if we don't need the money, we won't spend it.

This is not an acceptable basis on which to appropriate under that original plan as much money as we had planned to spend to resurface and build all the roads in Hingham. Even the reduced amount comes out to more than what we're planning to spend for expenses and capital outlay for the library. So there's a lot of things we could do with the $320,000.

I concede that my hundred thousand dollars is a guess, too. I just removed the prospect of litigation from this -- from this proposal. I know the Selectmen have a right to litigate if they want to, so I'm not attempting to bar the Selectmen from suing the Aquarion Water Company, but I suggest this change so that we can express the Town's consensus that such a serious and expensive step should be considered by Town Meeting only after an initial feasibility study has concluded that acquisition of the company is likely to be recommended.
Now, a preliminary feasibility study without litigation should not exceed a hundred thousand dollars, and could well be a lot less.

Now, the Selectmen mentioned that when the 1985 study was done, things were different. Well, they certainly were. They didn't mention one of the biggest changes that has taken place since 1985, and that was the passage in 1986 of the Massachusetts Water Management Act.

The 1986 Water Management Act declares that all the water in the State, with the exception of private wells, belongs to the State. The State Water Management Policy under the Act is that relevant state authorities will manage the water resources through water districts, not on a town by town basis.

And we live in the Hingham, Hull, Cohasset water district. If we buy Aquarion, we'll still live in the Hingham, Hull, North Cohasset district. And the relevant state agencies will continue to control how much water can be pumped here, where it can be withdrawn, and how much the water supplier must charge for it. You're not allowed to subsidize water rates under the Water Management Act, and that would not change.
Just a few years ago, Cohasset was ordered to increase its water rate because it was not charging full cost as required by the Water Management Act. So the chances that the State would allow us to lower rates approaches zero.

What would change is the process of increasing rates. A private company has to jump through the DPU hoops before it can raise rates. If Hingham owned the water company, we could raise the rates by a two to one vote of the Selectmen.

Now, the first stage of the study -- of this limited feasibility study that I'm proposing, would be to look at how the water district would be managed.

We could have a regional water commission with members elected or appointed by Hingham, Hull and Cohasset. It's been suggested that we have a regional dispatch center, so we know how to operate regional organizations. Well, I know the regional dispatch center, and I tell you a regional water commission is no dispatch center.

Alternatively, we could turn over management of the water company to the DPW or some other Town department. Then we would have the DPW,
or whatever department was going to take it, servicing Hull and North Cohasset, billing customers, answering service calls, repairing their equipment. How does that appeal to you?

And maybe some other options -- although I doubt it. I've been studying this issue for fifteen years, and we keep raising that terrible question of what do we do about Hull and Cohasset?

I think that when you look at that in detail you see that the options are so unattractive that the study should end right there.

So why should we worry about spending a lot of money and a lot of time litigating the cost issue if we've already concluded that we wouldn't take on this management problem if Aquarion gave us the company as a gift?

Well, we do, of course, seriously want some -- some hard data, but most of it's already available either from the recent study done by the Light Plant or the voluminous submissions that Aquarion was required to produce for the recently concluded rate case.

MODERATOR: You have one minute.

MR. SULLIVAN: Add to that cost study,
Aquarion's in the process of preparing the cost according to the guidelines under the law, and when they finish that -- and they expect to finish it, I've been told, in June -- it will be made available to the Town, so we don't have to sue for it.

So let's start slowly. Let's look at the numbers we have by the end of June. By July, we may have concluded that the price is out of reach. Well, more likely we will have concluded that we just don't want to take on the nightmare scenario of trying to set up and manage a regional water authority.

The State Department of Public Utilities has commented that Aquarion's communications with the Town leave much to be desired, and they have mandated that Aquarion commission an outside study to see what improvements could be made.

MODERATOR: Your time's expired.

Mr. Rabuffo.

MR. RABUFFO: Thank you, Mr. Moderator.

Bruce Rabuffo, One Dwiggins Pathe.

It is not a guess. Your Advisory Committee, whose recommendations you just accepted would not have allowed the Selectmen to proceed with a guess. This is a summary of the various components
that made up the $320,000. They have low and high ranges associated with them. The high is the 320. And that, of course, as you also know relates to the request for a proposal process which our procurement laws require us to follow.

So we have breakdowns in terms of the valuation, financial analysis, forensic accounting, corporate work, negotiation, litigation authority, those kinds of items require a detailed study. And therefore, the Advisory Committee guided us in setting these numbers.

In addition, I would be reluctant in not addressing the issue. Everybody wants to get the structure. We have had very preliminary discussions with our friends in Hull and Cohasset, and they have indicated various and differing needs that they have, but are anxious and appreciative of the fact that we're starting to undertake this.

To suggest that the answer to the solution is preordained is too soon to propose.

And finally, this is not about control of the water supply. It is about the control of the rates and the service you deserve.

Thank you.
MODERATOR: We're discussing Mr. Sullivan's proposed amendment. When we finish voting on the amendment, we will have the motion as it had been amended or not, and we'll continue discussing the motion. We're now discussing Mr. Sullivan's proposed amendment.

Yes, sir.

MR. DAILY: Good evening, Mr. Moderator, Selectmen, elected and appointed officials. Thank you, ladies and gentlemen, for being here tonight. Thank you for the opposing point of view. It's a great country we have that we get to discuss these things.

Just briefly --

UNIDENTIFIED VOICES: --

MR. DAILY: What's that?

UNIDENTIFIED VOICES: Your name.

MR. DAILY: Sorry. My enthusiasm.

Bob Daily, 168 Holmes Street.

Accountable leadership is what we need here in this Town and what we want. Mr. Sullivan's proposal, I think that a figure between one hundred and three hundred thousand dollars would cover the survey. We have a local electric utility, and that
if you have questions for them, you don't have to leave the state, you don't even have to leave the room. We have accountable leadership there.

The price of water going up is unbelievable and we need to have control costs, something that we can speak with our elected officials or appointed officials. And I think that the hundred to three hundred thousand dollars is within the range. It's a feasibility study that needs to be done, and we need to keep control of the cost of this Town.

Thank you.

MODERATOR: Mr. Taylor of the Advisory Committee.

MR. TAYLOR: Hi. Good evening. Jim Taylor, 3 Bristol Lane, member of the Advisory Committee.

The Advisory Committee voted unanimously to support this study with the understanding that it would be conducted in a phased manner, utilizing unpaid volunteer expertise to minimize study costs whenever possible.

The first phase of the study would be an in-depth discovery and an analysis of the Macquarie, Aquarion financial structures, followed by an
evaluation of what Town ownership of Aquarion might mean to the Town and citizen rate payers.

In my real job, in wealth management, I often perform due diligence on investments prior to recommending them to a client. This typically includes studying a company's balance sheet, income statement, management team, and competitive industry placement. While I'm knowledgeable and experienced enough to be able to make such an assessment on my own, I always utilize the experience and expertise of others to perform a thorough analysis prior to recommending the investment to a client.

The first phase of the proposed water company study requires the same detailed scrutiny. While many individuals in Town may have general knowledge of how utility companies operate, a financial analysis sufficient to make a recommendation to the Board of Selectmen and ultimately to the Town, would require hiring proper accounting and consulting experts who can perform the in-depth due diligence that the study will require. This is especially important given the additional complexity due to how Aquarion is structured, and some of its financials are consolidated with its
parent company.

In preparing for the Advisory Committee Hearing on this article, I began reading all the public documentation that is available regarding Aquarion and its business. All you need to do is read through the DPU rate case finding, all 287 pages of it, to determine that experts in public utilities will need to be retained to truly help the Town assess the value of this business and compare it to the valuation as determined by the calculation as laid out in the statute.

The industry financial management and forensic accounting experts that the Town would require if this article passes will have to determine and evaluate issues such as what is the true cost of delivering our water service? What is the value of the assets that might be purchased?

We would need a complete analysis of all the issues surrounding the 3.5 million dollars per year that Aquarion and ultimately rate payers pay to lease the water treatment plant, since it is owned by another Macquarie entity, and the expense and potential savings associated with the millions of dollars of outstanding debt that Aquarion has issued.
As reflected in the slide, a second study phase, focusing on engineering appraisal and the conditions of the existing infrastructure would only be initiated if the results of the first phase financial analysis demonstrated that rate payers would benefit financially from an acquisition of the water company by the Town.

Lastly, the potential governing structures would be examined, but only if the previous stages provide for the study to continue.

Just as I do in my professional work, it's critical that the Town retain the appropriate experts to supplement Town volunteers in each of these areas.

During our deliberations, the Advisory Committee discussed the importance of insuring that there are adequate funds to complete this study. Based upon several meetings and discussions with the Board of Selectmen, the Advisory Committee offered unanimous support for the initial amount proposed and today amended by the Selectmen to conduct this study.

Obviously, the starting point of the financial analysis phase would be to address the ownership of the Aquarion Water Company in Massachusetts.
You've all heard that a private equity fund run by an Australian bank originally acquired what is now the parent company of Aquarion about six years ago. The sole purpose of these private equity funds is to maximize investment returns to investors by typically targeting and inherently promising a return in equity in excess of twelve percent. They attempt to deliver this return in a number of ways, but ultimately it is through increasing the profitability of the companies they own, and subsequently selling those assets generally in a six to ten-year time frame.

This turn over has already begun with Macquarie recently selling a large stake in the fund to the pension arm of British Columbia. The Advisory Committee, in its deliberation noted that the financial impact on Hingham rate payers of these multiple levels of Macquarie-Aquarion ownership, each with its own profit markups, and the inevitability of a fairly short term ownership change of Aquarion, needs thorough and careful examination.

Also, it's the opinion of the Advisory Committee in its ongoing spirit of effective cost management that a business as usual attitude with
respect to the water company was not in the best
interest of either the Town or its rate payers, and a
further in-depth study is our recommendation.
Whatever the outcome of a phased study
might be, the Advisory feels that such a study is
worth the time of qualified volunteers and the
financial investment in recognized experts to
carefully and unemotionally examine the facts of the
matter and make a reasoned recommendation as to what
future course of action is appropriate.

Thank you.

MODERATOR: We're now on the proposed
amendment, and so we should have our discussion
focusing on whether we wish to adopt Mr. Sullivan's
amendment or not, and I will recognize Mr. Barclay.

MR. BARCLAY: Thank you, Mr. Moderator.
Mike Barclay, 11 Cottage Street.
I believe amending this article would be
unwise for the following reasons.
First of all, there's been a tremendous
amount of work put into this by the Selectmen, by the
Advisory Committee. Amending it at this point would
be on the fly, with not a whole lot of thought.
The Selectmen have outlined a cost
of $320,000 for this project, which has some meat to it. They've done the due diligence; there's some data behind it. The hundred thousand dollar number is arbitrary at best.

We keep getting scared by the concept of litigation, which is really what Aquarion and their owner Macquarie wants us to do. No one likes litigation. It unnecessarily drives up the cost of doing business. But this is a double-edged sword because if we enter into litigation with Aquarion -- and I'm ninety-nine percent sure of this, not a hundred, but ninety-nine percent sure -- Macquarie would have to disclose that in any public filings or offering memorandum to potential investors. And that's the last thing they want to do. The last thing they want to do is have to disclose litigation related to a valuable asset within the fund that produces a great return, because as an investor, that's going to make you take a step back and say, gees, maybe I don't want to invest in this fund.

So before we say the sky is falling on this litigation issue, remember, this is a double-edged sword, and I'm pretty sure under SEC requirements
they would be required to disclose any kind of litigation to all of their potential and current investors. And that's -- I'm pretty sure that's something Macquarie does not want to do.

On top of them being regulated by the DPU, I don't really find a lot of comfort there. Last summer at Town Hall, I stood before the DPU, when Aquarion was proposing the egregious eighteen percent increase, and I pleaded with the DPU on the basis that at that point we were getting about a two percent return on a ten year treasury.

So what did the DPU do? They awarded them a ten percent return on equity. And that's still five times as much as you're getting on a ten year treasury today. So I don't find a lot of comfort with the DPU at this point either.

There's been a lot of thought that's gone into this. I think amending this article on the fly would be unwise, and I think we should proceed with Article 19 as it's written. Thank you.

MODERATOR: Mrs. Salisbury. This is on the proposed amendment. Mrs. Salisbury.

MS. SALISBURY: Catherine Salisbury, 10 Ridgewood Crossing.
I urge a no vote on the amendment -- Mr. Sullivan's amendment and then the second amendment for 320,000, and I urge a no vote on Article 19.

I was the Chairman of the Water Supply Committee when the study -- when we did the 1985 study. We went to Town Meeting in 1984 and requested $50,000 to do a study on the adequacy of existing treatment and delivery systems and existing and potential water sources within the Town.

Also studied were an evaluation of possible water -- alternative water supply strategies, including among others buying the Hingham Water Company. But it was the Hingham Water Company, not American, it was the Hingham Water Company at that time. Whitman and Howard did the engineering analysis, and Consultants to Management did the financial piece.

The engineering study reached the following conclusions: The necessity of building a water treatment plant to remove organics and manganese from the water, the recommendation to install new water mains in various streets to eliminate dead ends and create flow in order to prevent the settling of manganese in these dead ends, the recommendation to
locate and secure title to land on which an additional well could be drilled and a water tank could be built to accommodate a predicted increase in demand.

The cost of the treatment plant was estimated to be 10.6 million dollars. The cost of the new water main installations, 9.4 million. And no cost was specified for surveys, land acquisition and construction of the water tank and additional well.

The cost to purchase the company was estimated using the formula at a low of 3.9 million and a high of 6.1 million. Using the higher figure and combining it with the estimated cost for the plant and water main installations, the total came to $26,000,000.

In its 1985 report, the committee concluded, and I quote, although there are some savings on water rates, if the Town should purchase the assets of the Hingham Water Company and then proceed to build the treatment plant, these savings were not substantial enough to offset the difficulties and uncertainties of buying the assets and then of running a municipal water district.
What has not changed during the ensuing twenty-seven years since we did this study? The Water Supply Committee is still working on our water issues. You've heard from some of these members tonight. We still have requests for rate increases which the Town still opposes. All of Hull's residents and some of Cohasset's residents are still a part of our service territory. We are still withdrawing roughly the same amount of water from our aquifer, using the same wells as we did in 1985, and the water is being distributed using mostly the same pipes as were used back then.

What has changed in the past twenty-seven years? The Hingham Water Company has been bought out several times. With the construction of the treatment plant, our water quality problem has been largely solved. There is more demand for water due to growth and the use of ground sprinklers. The State exercises much greater control over water resources than it did back then, due to the passage of the Watershed Management Act which sets withdrawal limits for each aquifer.

What are my concerns about Article 19? The proponents should have fully considered the policy
implications before putting this article with this huge appropriation before the Town Meeting. There is no discernable groundswell of public concern on this issue. Most water customers are generally satisfied with their service.

Although the source of our water supply is all in Hingham, save for an amount purchased from Cohasset for Linden Ponds, there are thousands of customers in Hull and a few in Cohasset, state regulators will require that Hingham continue to service these populations, and they will demand a voice in policy decisions related to their water supply.

The necessity of providing an adequate supply of water to the South Shore Park to allow its development is put forward as a reason to investigate buying Aquarion, but we have an adequate water supply for our residents at present.

State mandated caps on withdrawals of water from our aquifer insure its replacement. But it is possible that our adequate water supply may not be adequate to add the amount of growth anticipated by the development of the South Shore Park and the additional 65 acres to be rezoned by Articles 35
and 36 later in this Town Meeting. Town ownership will not magically create more water. If our aquifer cannot accommodate a major increase in demand, other alternatives will have to be considered.

   In conclusion, I can see little benefit to existing customers from Article 19, and a potential for huge expenses to the taxpayers. I believe if you vote for either one of these amendments, or for Article 19, we will in fact be starting down a very slippery slope. And it will be an extremely expensive and painful process, and one in which in the end will not benefit our existing customers.

   For these reasons, I urge you to vote no on both amendments and on Article 19.

   Thank you.

   UNIDENTIFIED VOICE: Move the question.
   MODERATOR: Did someone move the previous question?

   UNIDENTIFIED VOICES: Yes.
   UNIDENTIFIED VOICE: I wish to move the previous question.
   MODERATOR: Is it seconded?
   (Verbal responses)
   MODERATOR: I'll receive the motion for the
previous question.

As you know, the purpose of the motion is to end debate and discussion on the pending matter before us and come to an immediate vote.

That means the previous question, if it is adopted, we will come to an immediate vote on the proposed amendment by Mr. Sullivan. When we have taken care of that amendment one way or the other, we will have the motion again before us to discuss the main motion as it may have been amended.

So, we come now to vote on the motion for the previous question which ends debate and discussion on the amendment. If you're in favor of that motion, please say aye.

(Verbal responses)

MODERATOR: Those opposed, no.

(Verbal responses)

MODERATOR: The previous question is ordered, and we come now to vote on Mr. Sullivan's proposed amendment.

This is on Mr. Sullivan's proposed amendment, which would amend the motion before the main motion to change 320,000 to 100,000, and to delete everything in the main motion after the words
"statutes 1879, Chapter 139." The following material would all be deleted.

All those in favor of that amendment, Mr. Sullivan's amendment, please say aye.

(Verbal responses)

MODERATOR: Those opposed, no.

(Verbal responses)

MODERATOR: The no's have it and the proposed amendment is lost.

So now we have before us the original main motion, and is there further discussion of that motion before we come to vote on it?

Mr. Barclay.

MR. BARCLAY: Mike Barclay, 11 Cottage Street.

I just wanted to really kind of get back to the top ten list we got by Aquarion and maybe run through a couple of those and provide a little bit of balance.

First of all, in their contention that it's not for sale, I wouldn't sell it if I was them either. It's the goose that lays the golden egg.

Not just the study. We talked a little bit about the litigation earlier. The fact of the matter
is that they could have signed an agreement yesterday with the Selectmen and chose not to. I'm not really sure why they did that, but they chose not to, and again, the litigation issue is a double-edged sword.

A lot of the other points really, you know, control over water supply, you know they seem to have stepped things up recently because all of a sudden we're starting to really press them. I went to the hearing last summer and there were a lot of people who were really upset because the quality of the service and the infrastructure was terrible. And now they've gotten some religion, they know we're taking it seriously, and all of a sudden they've stepped up their efforts.

And most of the other points that they make throughout those -- you know, the top ten there, really just go to the point that's why we're doing the study. Because we want to find out, we want to make an educated decision about whether or not we should pursue any kind of a purchase of this asset. We will have the opportunity at a future point to say yea or nay on that decision, but given the way they keep coming at us with these rate increases, we are going to be defending ourselves time and time again.
The management of Aquarion, because it is owned within a private equity structure, has a fiduciary duty to maximize the returns of the fund. That's their first priority. Service and quality and good infrastructure come second.

This study is the result of a lot of work, and I think it's a really prudent idea to go forward with this.

The thing that really got me kind of fired up about this was the letter that they sent to all of us, and I didn't even get all the rest of the stuff. But it's not -- you know when big corporations get involved in local politics, it's really not out of a sense of benevolence. It's really because they're trying to protect their own self-interest. I mean, let's call a spade a spade.

When you think about Article 19, the way I look at it is, you know, in life, there's the way things should be and there's the way they are. The way things should be is that given the high rates that we pay relative to other communities in the State, and the big increases we've seen over the last couple of years, we ought to be getting top notch service and state of the art infrastructure. The way
things are, is we're not.

As long as this company is owned by a private equity firm that is managed by an Australian investment bank -- or maybe the fund is actually run out of New York, depending on how the corporate structure is -- but this fund -- the way private equity funds work is you've got a general partner that sits up at the top of the structure usually, and that general partner is usually a representative of the company that's put the fund together, and that general partner typically exerts a disproportionate amount of influence over the fund's operations and the fund's investments.

Now, not all of them are the same, but in general, that is how a private equity structure works. And as long as that's the case, the management of Aquarion really doesn't have a choice, because if the general partner says to them, we need a certain rate of return for our investors, you better go out and get a certain rate increase from your -- your constituents, the management of Aquarion is going to have to do that. And they'll keep playing this game with us, where they'll throw an eighteen percent at us, and then the DPU will say,
gees, no, we're only going to make it ten. Okay?
We've had twenty-one percent, we've had ten. It's
going to continue in the future, and that's the way
things are.

I hope you'll support Article 19 like I am
and vote yes.

Thank you.

MODERATOR: Mr. Clarke.

MR. CLARKE: Thank you, Mr. Moderator.

Terence Clark, 111 Summer Street.

Let me state up front that I have performed
contract work with Aquarion. I am here this evening
however to read a statement from an informed friend
and Town resident of forty-one years who is out of
town and unable to be present.

The statement was written by Dick Norman
who resides at 3 Chute Avenue, and who serves as
President of Essex Hydrill, LLC. What follows are
his words.

First, let me say that I am not a fan of
Aquarion Water. I am troubled by the large increases
in water rates, mainly brought about by the Water
Treatment Plant that was built by the prior owner,
American Water, in 1996, at the cost of $35,000,000.
I thought far too much money was spent on the plant. I have not experienced any water quality or supply problems, but I'm aware others in Town may have. Nevertheless, I oppose Article 19 and predict it will turn out to be a colossal waste of precious Town funds.

My perspective is somewhat unique. For more than thirty years, I have managed or partially owned a natural gas storage business and several electric generating plants. My companies are regulated businesses that in most cases enjoy the right of eminent domain. I have personally learned through the management of contested legal proceedings how protracted and costly the process can be, with the outcome very uncertain.

I'm surprised that the Town fathers would unanimously vote to recommend authorization of an expenditure of up to $500,000 at this juncture to investigate the purchase of the water company.

The first question that comes to mind is the ultimate objective of this process. Is it to achieve lower water rates, to address service problems, or to essentially punish Aquarion for past problems?
I've not seen any estimate of the potential rate savings the Town could achieve through purchase of Aquarion. Water rate calculations are quite straightforward. The rates consist of the sum of operating costs and capital costs. I doubt that the Town can achieve significant savings in the operation of the water company through its purchase.

The real potential savings arise if the Town can lower capital costs through lower cost borrowings and an acceptable purchase price. The Town already has or can obtain information regarding its cost of borrowing. The embedded capital cost of the water properties was extensively explored in the recent rate case. It is a simple exercise to complete a sensitivity study to determine at what maximum acquisition cost the Town would be rate indifferent to a purchase.

Expensive engineers and financial experts are not needed at this juncture. If such an analysis has not yet been done, it should be completed by the Town Administrator before any additional funds are expended. The analysis may show that even at a $100,000,000 purchase price, rates could be lowered.

Conversely, the study might show that even
if the Town were able to purchase the company for 25,000,000, there might be little rate savings.

The buyout formula is quoted in Warrant Article 19. The Town will have to pay the original cost of all the property, plus ten percent interest per annum, less dividends that have been paid by Aquarion. The water and treatment plant alone cost $35,000,000. Over the time since its construction, the acquisition cost would be 87.5 million dollars.

I have a nagging concern about the proposed process. Quite honestly, I'm not convinced that the study will be handled well or efficiently administered by Town administration. I cannot forget the $7,000,000 fire station expansion, nor the recently approved $61,000,000 middle school construction.

At this time we know school proponents will be out in force next year seeking to improve our playing fields. Recently, our teachers agreed to give-backs because of budget problems. We have yet to see the tax increases that will kick in over the next two years, yet we find there's $500,000 available to undertake a study with a very uncertain outcome. Surely, there's a better way to spend a
half million dollars if in fact it's available.

It's obvious that Warrant Article 19 has finally gotten the attention of Aquarion Management. Aquarion has come forward with several proposals to address past problems. Why not use this opportunity to explore whether past problems can be resolved through negotiation before spending up to $500,000 to hire expensive, third-party consultants.

One thing is certain. If the Town does decide to invoke its purchase right under the existing charter, the Town will find itself in a lawsuit over the price of the water system. My own company has been involved in a similar lawsuit for the past two years over the price of a piece of property. All I can say is that it has been a money pit, and a drain of time and resources. One thing is certain. Purchase of the water plant will cost more than you think and take time to resolve.

Finally, let's assume that the Town can study the issue, determine a price, litigate to a final price, and do all this for under 500,000, and conclude everything in time for next year's Town Meeting. Unlikely. Then the Town votes to not buy the company. At that point, not only will the
$500,000 be gone, but Aquarion likely will have the
right to recover its legal expenses in the next rate
case, resulting in even higher rates.

My advice? Vote no on Article 19. If
approved, the Selectmen should delay engaging third-
party consultants and initiate negotiations with
Aquarion.

My hope is that this threat of a takeover
could lead to a fresh start between Aquarion and the
Town where the company would be more responsive to
service obligations and maybe even some better water
rates. There simply is no compelling reason to rush
into this. Let's try to resolve the issue
responsibly.

Respectfully, Dick Norman.

Thank you.

MODERATOR: Mr. Stathopoulos.

MR. STATHOPOULOS: Peter Stathopoulos, 17
Volusia Road.

First of all, let me say I'm against the
takeover. But one of the questions I have, if this
study is so important, why aren't we collecting forty
percent of the study from -- from Hull and Cohasset?
I mean they should be kicking in on this. So it's
just -- That's one point.

Two was, in the article, you mention about six times the water main was broken. We had about ten times on Volusia Road. I live in a part of Hingham that uses Weymouth water. All Hingham had to do was tear up the road and Weymouth would lay the new pipes for free. Hingham says budgetary reasons. We don't have the professional management, I think, to handle a water type company. We went three years before all the pipes were laid out, and my neighbors across the street and down the street live in Weymouth all had new pipes, but they kept on breaking because the Town of Hingham did not address it.

So I feel that six times by Aquarion water, if that's the only instance, that's great.

The other thing is we have a number, which isn't addressed anywhere in the article, of Hingham taxpayers that live in Hingham that do not have Weymouth water. In fact, since my neighborhood has Weymouth water, we pay a surcharge of twenty-five percent, and we don't get a senior discount.

So we just -- and are we planning on doing something like that to Hull and Cohasset, for nonresident water supplies?
And again, you know, I just think it's water down the pipe there, so it just isn't cost justified at this point. I think more study has to be done. You have -- and never mind the water -- waste water thing, but other towns have spent money on it, but I see nothing quoted by any of the people who did research about forensics and like that.

What have other towns, cities spent? Upstate New York, they -- a combination of three towns have $75,000 for a feasibility study to take over the water company, but I don't see any of that in this study.

So right now, I think it's very poorly constructed. We talk about Cushing Street, Manatee Road, Volusia Road, Waleka (phonetic) Road, that do not have Hingham water, and we're going to have to pay for this study that I just don't think will come to fruition.

Thank you.

MODERATOR: Mr. Salerno.

MR. SALERNO: Thank you, Mr. Moderator.

Good evening, everyone. Michael Salerno, 17 Kilmer Road. I'm Chairman of the Sewer Commission.
This community has been capable of running -- more than capable of running a parallel utility and the Sewer Commission for over sixty years. The Sewer Commission year over year attempts to and quite often succeeds in keeping our rates lower than rising costs.

We are and would be in the business of saving the rate payers money, not giving the stockholders their quarterly share of the profits.

We are and would answer to the public. Where there is an ability to attend public hearings, where input could be given publicly, review budgets at any time, and/or at Town Meeting and elect another person if that is how governance is determined.

This is only a study on whether or not it is economically feasible for the Town to be able to do all of this. If the study determines that we can do all of this, I am one hundred percent confident we will do a better job, not only keeping the rates from rising at the percent they have been by Aquarion, but managing the system and its infrastructure better, too.

I urge you to vote in favor of this article.
MODERATOR: Mr. Hibbard.

MR. HIBBARD: Thank you, Mr. Moderator.

There's a better way. We have offered, and we will fulfill that offer, to provide our entire financial study on the cost of the system with all the backup. You saw earlier a display that showed that Phase I is a financial analysis. All the information you need for that financial analysis is either already available or will be provided by us.

We talked about a cost of service study. That's part of the rate case that we just concluded. We talked about an examination of the lease. You have the lease, obviously. The Advisory Committee already has the lease. The lawyers have already examined it.

The debt study. You have all that data, too. What we're proposing is that we work with the Town for the financial phase of this. We are confident, by the way, that when that financial phase is completed, this Town is going to say, no way, it's too expensive.

We cooperate with the Town. The Town does the financial phase. If we're wrong and the Town actually believes it would make sense to spends
hundreds -- millions and millions of dollars to take
over a water company, serve Hingham and Hull and
Cohasset, you'll be back here next year.

Why not work with the company, do the
financial piece first, come back next year. If I'm
right, you won't even be coming back. If I'm wrong,
you can then take on all the other big issues. But
at least you'll know the number. You'll know what
the Town says the number is, you'll know what we say
the number is.

And one last thing. With regard to taking
over the lease. Are you taking the whole company or
half the company? That's what it comes down to.

Thank you, ladies and gentlemen.

MODERATOR: Further discussion? Yes. Ms.
Sneath.

MS. SNEATH: Hi. It's Judy Sneath, 89
North Street.

Just very briefly.

I, like you, have received multiple glossy
direct mail pieces in the last month, and I've just
been amazed to get them. In the past ten years,
there have been a number of times that I would have
loved to be in closer contact with Aquarion Water
Company and haven't been able to. As I resident, I had a situation with a neighbor that had me on the phone with somebody in Connecticut who couldn't really help me. Planning events downtown, trying to get Aquarion to come with water. Not very successful.

As a member of the Planning Board, a number of situations with permitting where water was an issue, Aquarion wasn't there. We're doing, as you've heard earlier, some planning in South Hingham, trying to get Aquarion there. Now, they want to do a study but really haven't been part of the process.

A year or two ago we had a terrible drought, I thought, with Accord Pond very low, irrigation systems going off, no word from Aquarion, until finally there was a ban.

But I'd like to see some leadership from our water company. You know, these are troubling times. Yes, the State has control over the water, but it's not to say that our water company can't provide leadership on the issue of water.

This year's CPC articles has two land purchases that both hinge on sort of saving our aquifer. Aquarion wasn't part of that conversation
either, and that's a million and a half dollars for
those two pieces of property that make a dent in sort
of protecting the aquifer.

So yes, we all received mail from Aquarion
in the last week or two. And my -- this postcard
says let's work together. So what does that really
mean, right? From my experience with Aquarion, the
words just don't ring true.

In fact, in Aquarion's ten reasons to vote
no, I didn't hear a lot of working together. I heard
threats, slippery slopes and not concerns about
Hingham. And there's a tone here that doesn't give
me a lot of confidence in this working together
unless we have some leverage. And I feel like if we
walk away from this article, we lose the leverage.

We don't know what will happen next. It feels like
whether we purchase the water company or not,
spending this $320,000 today will give us a lot
greater control over our future and it seems like a
small price to pay for long-term security.

Please vote yes.

UNIDENTIFIED VOICE: (Inaudible)

MODERATOR: A motion has been made for the
previous question. Is it seconded?
UNIDENTIFIED VOICES: Second.

MODERATOR: Seconded.

I'll receive the motion for the previous question. As you know, this has the effect of ending debate and discussion, coming to vote on the main motion. So if you want to end debate and vote on the main motion now, you will vote yes on the previous question.

If you would like to have more debate and discussion, you'll vote no on the motion for the previous question.

We put now the motion for the previous question. All those in favor, please say aye.

(Verbal responses)

MODERATOR: Those opposed, no.

(Verbal responses)

MODERATOR: The previous question is ordered.

So now we come to vote on the main motion presented by the Board of Selectmen.

All those in favor of the main motion, please say aye.

(Verbal responses)

MODERATOR: Those opposed, no.
(Verbal responses)

MODERATOR: The aye's ave it and the motion is adopted.

MR. HEALEY: Paul Healey, 209 Main Street.

Mr. Moderator, I'd like to make a motion to reconsider the previous motion.

MODERATOR: Motion to reconsider. A motion to reconsider action under Article 19. Is that motion to reconsider seconded?

UNIDENTIFIED VOICES: Second.

MODERATOR: Motion is made and seconded. It requires for adoption a two-thirds vote.

Is there discussion on the motion to reconsider?

(No response)

MODERATOR: All in favor of the motion, please say aye.

(Verbal responses)

MODERATOR: Those opposed, no.

(Verbal responses)

MODERATOR: Reconsider fails. The motion is not adopted.

Article 20. This is the first of several articles related to the Community Preservation