

Abenaki Water Company and Aquarion Company

DW 21-090

Aquarion Water Company's Responses to Staff Data Requests—Set 1

Data Request Received: June 9, 2021
Request No.: Staff 2-1

Date of Response: June 21, 2021
Witness: D. Morrissey
D. Szabo

REQUEST: Re: Joint Petition for Approval of the Acquisition of Abenaki Water Company by Aquarion Company, page 10:

According to the Joint Petition, the “Joint Petitioners do not propose to record an acquisition premium on the books of account of Abenaki as a result of the Transaction. Aquarion would propose to recover Transaction costs only to the extent of savings resulting from the acquisition as shown in a future rate case. Transaction costs would be recovered from net savings.”

- a) Do the Joint Petitioners propose to record the acquisition premium on the books of account of Aquarion Water Company of New Hampshire, Inc. as a result of the transaction? Please explain.
- b) Please define the term “Transaction costs.” Specifically, include all possible costs that can be allocated, or defined, as transaction costs, including, but not limited to, legal expenses, consulting fees, etc.
- c) Please provide an estimate of the “Transaction costs,” detailed and itemized by cost type, associated with the Transaction.
- d) Please provide the proposed allocation of the “Transaction costs” across Abenaki Water Company, Inc.’s five water systems and one sewer system.
- e) Do the Joint Petitioners propose allocating the “Transaction costs” to Aquarion Water Company of New Hampshire, Inc.? If so, please provide the estimated amount of allocation.

RESPONSE: a) No. The Joint Petitioners do not propose to record the acquisition premium on the books of account of either Aquarion Water Company of New Hampshire or Abenaki.

- b) Transaction costs include legal fees for regulatory counsel for all states, corporate merger and acquisition counsel, consulting fees for financial due diligence and SEC regulatory compliance and filing.

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c) Please refer to the table below for the estimated transaction cost breakdown:

Description	Total Estimate
<u>Legal Expense:</u>	
Brown Rudnick - CT regulatory counsel	\$ 583,000
Keegan Werlin - MA/NH regulatory counsel	275,000
Ropes & Gray - Corporate merger & acquisitions counsel	932,000
Total legal expense	<u>\$ 1,790,000</u>
<u>Consulting</u>	
PKF O-Connor - financial due diligence	\$ 25,000
<u>Other</u>	
SEC regulatory compliance	\$ 30,735
Total transaction expense	<u><u>\$ 1,845,735</u></u>

d) Aquarion is not seeking recovery of transaction costs at this time. As stated in section 18.c of the Joint Petition, “Aquarion would propose to recover Transaction costs only to the extent of savings resulting from the acquisition as shown in a future rate case. Transaction costs would be recovered from net savings”. Any future request to recover transaction costs would occur to the extent that Aquarion is able to demonstrate net savings resulting from the acquisition in a future Abenaki rate case. If such a future request is made, Aquarion anticipates that it would propose a methodology similar to the methodology in the current rate case of Aquarion Water Company of New Hampshire (DW 20-184) whereby transaction costs are allocated to the acquired regulated company based on the percentage of its customers.

Under this scenario the Company anticipates transaction costs attributable to New Hampshire would be approximately 9%, or \$168,000, allocated based on the total number of Abenaki customers, including sewer customers.

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- e) No. The Joint Petitioners do not propose allocating the transaction costs to Aquarion Water Company of New Hampshire, Inc. because it is not part of the transaction.