

1                                   **STATE OF NEW HAMPSHIRE**  
2                                   **PUBLIC UTILITIES COMMISSION**

3  
4   **June 28, 2021 - 10:12 a.m.**

**DAY 1**  
                                  **MORNING SESSION ONLY**

5  
6                   *[Hearing also conducted via Webex]*

7           **RE: DW 21-090**

8                   **ABENAKI WATER COMPANY AND**  
9                   **AQUARION COMPANY:**

10                   Petition for Approval of the  
11                   Acquisition of Abenaki Water  
12                   Company by Aquarion Company.

11           **PRESENT:**      Chairwoman Dianne H. Martin, Presiding  
12                                   Commissioner Daniel C. Goldner

13                                   Jody Carmody, Clerk  
14                                   Corrine Lemay, PUC Hybrid Hearing Host

15           **APPEARANCES:   Reptg. Aquarion Company:**

16                                   Jessica A. Chiavara, Esq.  
17                                   Daniel Venora, Esq. *(Keegan Werlin)*  
18                                   Jessica Ralston, Esq. *(Keegan Werlin)*

19                                   **Reptg. Abenaki Water Company:**

20                                   Jody J. Cranmore, Esq. *(Cranmore...)*  
21                                   Jennifer L. DiBella, Esq. *(Cranmore...)*

22                                   **Reptg. Omni Mount Washington, Inc.:**

23                                   Thomas B. Getz, Esq. *(McLane Middleton)*

24                                   **Reptg. Bretton Woods Property Owners**  
                                  **Association (BWPOA):**

                                  Paul Mueller

                  Court Reporter:     Steven E. Patnaude, LCR No. 52

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**APPEARANCES: (C o n t i n u e d)**

**Reptg. Village Shore Estates and  
representing herself:**

Cristy Bresson, *pro se*

James Cook, *pro se*

Sharon Burgess, *pro se*

Kevin Monahan, *pro se*

**Reptg. Residential Ratepayers:**

Donald M. Kreis, Esq., Consumer Adv.

Kijana Plenderleith, Law Student Intern  
Office of Consumer Advocate

**Reptg. PUC Staff:**

F. Anne Ross, Esq.

Christopher R. Tuomala, Esq.

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**I N D E X**

**PAGE NO.**

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                                 DEBRA SZABO  
                                 DONALD VAUGHAN  
                                 ROBERT GALLO**

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Verified Joint Petition filed on April 30, 2021	<i>premarked</i>
2	Supplement to the Initial Petition filed on May 10, 2021	<i>premarked</i>
3	Joint Petitioners' Response to Data Request Staff 1-1	<i>premarked</i>
4	Joint Petitioners' Response to Data Request Staff 1-2	<i>premarked</i>
5	Joint Petitioners' Response to Data Request Staff 1-4	<i>premarked</i>
6	Joint Petitioners' Response to Data Request Staff 1-7	<i>premarked</i>
7	Joint Petitioners' Response to Data Request Staff 1-9	<i>premarked</i>
8	Joint Petitioners' Response to Data Request Staff 1-10	<i>premarked</i>
9	Joint Petitioners' Response to Data Request Staff 1-13	<i>premarked</i>
10	Joint Petitioners' Response to Data Request Staff 1-14	<i>premarked</i>
11	Joint Petitioners' Response to Data Request Staff 1-16	<i>premarked</i>
12	Joint Petitioners' Response to Data Request Staff 1-20	<i>premarked</i>
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14	Joint Petitioners' Response to Data Request OCA 1-3	<i>premarked</i>

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15	Joint Petitioners' Response to Data Request OCA 1-4	<i>premarked</i>
16	Joint Petitioners' Response to Data Request OCA 1-5	<i>premarked</i>
17	Joint Petitioners' Response to Data Request OCA 3-4	<i>premarked</i>
18	Joint Petitioners' Response to Data Request Tioga 1-1	<i>premarked</i>
19	Joint Petitioners' Response to Data Request Tioga 1-7	<i>premarked</i>
20	Joint Petitioners' Response to Data Request Bow-VSE 1-3	<i>premarked</i>
21	Joint Petitioners' Response to Data Request Bow-VSE 1-5	<i>premarked</i>
22	Joint Petitioners' Response to Data Request Bow-VSE 1-8	<i>premarked</i>
23	Bow-VSE Affordability Assessment	<i>premarked</i>
24	Joint Petitioners' Response to Data Request OCA 1-11	<i>premarked</i>
25	Joint Petitioners' Response to Data Request OCA 2-7	<i>premarked</i>
26	Joint Petitioners' Response to Data Request OCA 3-3	<i>premarked</i>

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**P R O C E E D I N G**

CHAIRWOMAN MARTIN: We're here this morning in Docket DW 21-090, regarding the Petition for Approval of the Acquisition of Abenaki Water Company by Aquarion Company.

We'll start out by introducing the Commission. My name is Dianne Martin. I am the Chairwoman of the Public Utilities Commission.

Commissioner Goldner.

COMMISSIONER GOLDNER: Dan Goldner, Commissioner.

CHAIRWOMAN MARTIN: And let's take appearances, starting with Aquarion.

MR. VENORA: Yes. Good morning. Dan Venora, of the law firm of Keegan Werlin, here on behalf of Aquarion Company. I'm joined today by Jessica Chiavara of the Company, as well as Jessica Ralston, also of Keegan Werlin.

CHAIRWOMAN MARTIN: And, Mr. Venora, will you be speaking primarily today?

MR. VENORA: I believe so, yes. Attorney Cranmore is also on. He will be putting in an appearance for Abenaki.

CHAIRWOMAN MARTIN: Okay. Thank you.

1 I was going to go to Abenaki next. For Abenaki?

2 MR. CRANMORE: Yes, Commissioner  
3 Martin. This is Jody Cranmore. I'm counsel with  
4 Cranmore, FitzGerald & Meaney, on behalf of  
5 Abenaki today. With me today is also my partner,  
6 Jennifer DiBella.

7 CHAIRWOMAN MARTIN: Okay. And Omni  
8 Mount Washington Hotel?

9 MR. GETZ: Good morning, Madam Chair,  
10 Commissioner Goldner. My name is Tom Getz. I'm  
11 an attorney with the law firm of McLane  
12 Middleton. And I am appearing on behalf of Omni  
13 Mount Washington, a customer of the  
14 Abenaki/Rosebrook system.

15 CHAIRWOMAN MARTIN: Okay. Thank you.  
16 And for Bretton Woods Property Owners  
17 Association?

18 MR. MUELLER: Good morning. My name is  
19 Paul Mueller. And I'm representing the Bretton  
20 Woods Property Owners Association.

21 CHAIRWOMAN MARTIN: Okay. And for the  
22 OCA?

23 MR. KREIS: Good morning, Madam  
24 Chairwoman, Commissioner Goldner, fellow

1 litigants. I am Don Kreis, the Consumer  
2 Advocate, here on behalf of residential  
3 customers.

4 And happy to be here in Hearing Room A  
5 for the first time in well over a year. Oh, and  
6 with me today is Kijana Plenderleith, who is our  
7 law student intern for the summer.

8 CHAIRWOMAN MARTIN: Okay. Thank you,  
9 and welcome back.

10 All right. For Staff?

11 MR. GALLO: Excuse me. I would just --  
12 Bob Gallo and Don Vaughan here for Abenaki Water  
13 Company.

14 CHAIRWOMAN MARTIN: Yes. Thank you  
15 very much. I will add you to the Abenaki list.

16 Okay. Staff?

17 MS. ROSS: Good morning. Good morning,  
18 Commissioner Martin and Goldner. For Staff, I'm  
19 Anne Ross, and Chris Tuomala will be sharing  
20 duties this morning.

21 CHAIRWOMAN MARTIN: Okay. Thank you  
22 very much.

23 And, so, I have a number of  
24 intervenors. And I'm not sure how many of those



1 are actually intending to speak.

2 Does Staff have a list of intervenors  
3 who are speaking today or shall I just go through  
4 the list of what I have here?

5 MR. TUOMALA: Chairwoman Martin, this  
6 is Christopher Tuomala.

7 I have a list of people who petitioned  
8 for intervention. And we worked through the  
9 attendee list. And I believe the attendees that  
10 are present in front of you are the intervenors  
11 that are here today and wish to speak. And I  
12 note that Cristy Bresson and James Cook  
13 apparently would like to speak today, and they  
14 are separate petitioners for intervention. But I  
15 haven't had a chance to speak to them directly.

16 CHAIRWOMAN MARTIN: Okay. Thank you.  
17 And we've confirmed that there are no other  
18 intervenors in the attendee pool that want to  
19 come up and speak, Ms. Lemay?

20 *(Ms. Lemay nodding in the affirmative.)*

21 CHAIRWOMAN MARTIN: Okay. All right.  
22 Then, let's hear from Ms. Bresson, if you could  
23 just put in your appearance.

24 Ms. Bresson, can you unmute and turn on

1 your video please?

2 MS. LEMAY: She's calling in from a  
3 landline. So, she does not have video for you to  
4 be able to see here.

5 CHAIRWOMAN MARTIN: Okay. Can you hear  
6 me, Ms. Bresson?

7 MS. BRESSON: I can hear you. Can you  
8 hear me?

9 CHAIRWOMAN MARTIN: I can. Thank you.  
10 Can you just introduce yourself for the record?

11 MS. BRESSON: Sure. I'm sorry. Cristy  
12 Bresson. I am an intervenor on behalf of  
13 individually, as well as Bow/Village Shore  
14 Estates. And we'll also be talking with regard  
15 to Tioga-Belmont.

16 CHAIRWOMAN MARTIN: Okay. Thank you  
17 very much.

18 And, Mr. Cook, do you have video or are  
19 you on the phone?

20 I can see you now. Okay. Go ahead and  
21 introduce yourself please.

22 MR. COOK: James Cook, intervenor for  
23 Tioga-Belmont. I don't have any prepared  
24 statements today. I believe Cristy has pretty

1 much what all the intervenors are feeling about  
2 the acquisition.

3 CHAIRWOMAN MARTIN: Okay. Thank you.  
4 So, do I understand from that that you don't plan  
5 to speak again today, you'll just be observing?

6 MR. COOK: Yes. That was my plan.

7 CHAIRWOMAN MARTIN: Okay. Thank you  
8 very much.

9 MS. BRESSON: Excuse me, Chairwoman  
10 Martin, this is Cristy Bresson again. I did  
11 mention, I think, to Chris Tuomala that there is  
12 another intervenor, Sharon Burgess, who cannot be  
13 here at this hour, but will be hopefully joining  
14 maybe 10:30 or 11:00. And she may want to speak,  
15 I don't know specifically. But I wanted you to  
16 be aware of that.

17 CHAIRWOMAN MARTIN: Okay. Thank you  
18 very much for letting us know.

19 Ms. Lemay, if you can let me know if  
20 that happens, that would help.

21 Okay. Anyone else who I have not  
22 recognized that needs to make an appearance?

23 *[No indication given.]*

24 CHAIRWOMAN MARTIN: All right. Then,

1 we will turn to preliminary matters. I have  
2 Exhibits 1 through 26 prefiled and premarked for  
3 identification. Are there any other exhibit  
4 issues or exhibits that we need to discuss?

5 MR. VENORA: Chairwoman Martin, I will  
6 only note that, as we do the introductory, the  
7 direct exam with the Aquarion and Abenaki  
8 witnesses, we can speak to all of the exhibits,  
9 with the exception of Exhibit 23, which was  
10 identified by Ms. Bresson as one of the exhibits  
11 for the Exhibit List. However, you know, that's  
12 not a document that came from the Companies.

13 CHAIRWOMAN MARTIN: Okay. Thank you.  
14 I appreciate that, Mr. Venora.

15 And I'm going to ask if, when you  
16 speak, if you can identify yourself, because  
17 there are a lot of people on the screen, --

18 MR. VENORA: Oh. Sure.

19 CHAIRWOMAN MARTIN: -- and it took me a  
20 moment to recognize who was speaking. It would  
21 just be helpful.

22 MR. VENORA: Yes. Thank you. I will  
23 do that.

24 CHAIRWOMAN MARTIN: Thank you. Anyone

1           else have preliminary matters that we need to  
2           have raised?

3                       MR. VENORA:  Chairwoman Martin, this is  
4           Attorney Dan Venora again.  I just have one.

5                       We have an outstanding Motion for  
6           Confidential Treatment.  It does not need to be  
7           addressed or resolved for purposes of today's  
8           hearing to go forward.  It addresses four or five  
9           discovery responses.  They were not marked as  
10          hearing exhibits, items relating to employee --  
11          personal employee information, and then also  
12          system maps and such.

13                      So, I just wanted to bring that to your  
14          attention.  But, again, that motion is  
15          understanding, but I don't think we can -- I  
16          don't think we need it addressed for purposes of  
17          today's hearing.

18                      CHAIRWOMAN MARTIN:  Okay.  Thank you,  
19          Mr. Venora.

20                      All right.  Then, hearing no other  
21          preliminary matters, we will start with the  
22          witnesses.  And, Mr. Patnaude, if we could get  
23          the witnesses sworn in please.

24                      (Whereupon **Donald Morrisey,**

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1                   **Debra Szabo, Donald Vaughan,** and  
2                   **Robert Gallo** were duly sworn by the  
3                   Court Reporter.)

4                   CHAIRWOMAN MARTIN: Okay. And how are  
5                   we proceeding with the witnesses? Mr. Venora,  
6                   are you starting?

7                   MR. VENORA: Yes. My proposal is that  
8                   we start with the preliminary questions with  
9                   Mr. Morrisey and Ms. Szabo. Then, I'll ask  
10                  Attorney Cranmore to do the same with Mr. Vaughan  
11                  and Mr. Gallo. And, then, with the Chair's  
12                  indulgence, we also -- Mr. Morrisey and Mr.  
13                  Vaughan also had some brief opening remarks prior  
14                  to cross-examination, if that's acceptable?

15                  CHAIRWOMAN MARTIN: Okay. Go ahead.

16                  MR. VENORA: Okay. Thank you.

17                                 **DONALD MORRISEY, SWORN**

18   **DEBRA SZABO, SWORN**

19   **DONALD VAUGHAN, SWORN**

20   **ROBERT GALLO, SWORN**

21   **DIRECT EXAMINATION**

22 BY MR. VENORA:

23 Q       Mr. Morrisey, would you please state your full  
24       name, company position, and your responsibilities

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 for purposes of this docket?

2 A (Morrisey) Yes. My name is Donald J. Morrisey.

3 I am the President and Chief Operating Officer of  
4 Aquarion Company.

5 Q And are you familiar, Mr. Morrisey, with the  
6 exhibits marked as "Exhibits 1" and "2", which  
7 include the Verified Joint Petition and  
8 attachments filed on April 30th, 2021, and the  
9 Company's supplemental filing on May 10th of  
10 2021?

11 A (Morrisey) I am, yes.

12 Q And are you also familiar with the exhibits  
13 marked as "Exhibit 3" through "22" and "24"  
14 through "26", which include various discovery  
15 responses provided by the Joint Petitioners?

16 A (Morrisey) Yes, I am.

17 Q And do you have any corrections or amendments to  
18 those exhibits?

19 A (Morrisey) I do not.

20 Q And do you adopt those exhibits as your sworn  
21 testimony today?

22 A (Morrisey) I do.

23 Q Thank you. Ms. Szabo, would you please state  
24 your full name, company position, and your

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 responsibilities for purposes of this docket?

2 A (Szabo) Sure. My name is Debra Szabo. I'm the  
3 Director of Rates and Regulation for Aquarion  
4 Water Company of Connecticut.

5 Q Thank you. And did you co-sponsor a number of  
6 the discovery responses referenced by  
7 Mr. Morrisey and permitted as exhibits by the  
8 Joint Petitioners?

9 A (Szabo) Yes, I did.

10 Q Do you have any corrections or amendments to  
11 those exhibits?

12 A (Szabo) No, I do not.

13 Q And do you adopt those exhibits as your sworn  
14 testimony today?

15 A (Szabo) Yes, I do.

16 MR. VENORA: Thank you. Attorney  
17 Cranmore, I'll ask you to do the same questions  
18 with the Aquarion -- the Abenaki witnesses, sir.

19 MR. CRANMORE: Thank you, Dan.

20 BY MR. CRANMORE:

21 Q Mr. Vaughan, good morning, sir. Would you please  
22 state your full name, your company position, your  
23 responsibilities for purposes of this docket?

24 A (Vaughan) Yes. Good morning. My name is Donald



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           Vaughan. I'm Vice President of Operations for  
2           New England Service Company, and including  
3           Abenaki Water Company. And I'm largely involved  
4           in the oversight of all operations in New  
5           Hampshire, Massachusetts, and Connecticut.

6    Q       Thank you, sir. Are you familiar with the  
7           exhibits marked as "Exhibits 1" and "2", which  
8           include the Verified Joint Petition and  
9           attachments filed on April 30th, 2021, and the  
10          supplemental filing of May 10th, 2021?

11   A       (Vaughan) Yes, I am.

12   Q       Thank you, sir. Are you familiar with the  
13          discovery responses provided as exhibits by the  
14          Joint Petitioners that were co-sponsored by Nick  
15          LaChance on behalf of Abenaki -- on behalf of  
16          Abenaki?

17   A       (Vaughan) Yes, I am.

18   Q       Excellent. Sir, are you taking responsibility  
19          and adopting those responses as the witness for  
20          Abenaki today?

21   A       (Vaughan) I am.

22   Q       Thank you. Do you have any corrections or  
23          amendments to any of those exhibits?

24   A       (Vaughan) No.

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 Q Do you adopt those exhibits as your testimony  
2 today?

3 A (Vaughan) I do.

4 Q Thank you, sir. Mr. Gallo, would you please  
5 state your full name and company position?

6 A (Gallo) My name is Robert J. Gallo. I am the  
7 Vice President of Engineering. And the purposes  
8 for my appearance with this docket today is to  
9 provide any supplemental information regarding  
10 some technical information that might be  
11 required.

12 MR. CRANMORE: Thank you, sir.

13 WITNESS GALLO: Thank you.

14 MR. CRANMORE: I have nothing further.

15 MR. VENORA: Okay. Thank you.

16 BY MR. VENORA:

17 Q And, Mr. Morrisey, I understand you have a brief  
18 opening statement. Are you prepared to provide  
19 that at this time, sir?

20 A (Morrisey) I am.

21 Q Okay. Please do so.

22 A (Morrisey) Thank you. Well, good morning,  
23 Commissioners, and thank you. I appreciate the  
24 opportunity to speak to you this morning on our

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 Petition.

2 At Aquarion, we're very excited about  
3 the prospect of Abenaki Water joining our  
4 organization because of the potential service  
5 benefits we believe we can provide to Abenaki  
6 customers. We very much look forward to  
7 answering your questions today, and to providing  
8 the information you need to assess our proposal.

9 To start out, I'd like to give you a  
10 little bit of background on our Company.  
11 Aquarion is a water utility holding company with  
12 operations in New Hampshire, Massachusetts, and  
13 Connecticut. This includes our New Hampshire  
14 subsidiary, which is Aquarion Water Company of  
15 New Hampshire, Inc. Aquarion-New Hampshire  
16 serves 9,600 customers in the state. Overall,  
17 Aquarion is the largest investor-owned water  
18 utility in New England, and among the seven  
19 largest in the United States. We deliver water  
20 to approximately 220,000 customer accounts in a  
21 population of more than 700,000, in 57 cities and  
22 towns in the three states. We're a wholly-owned  
23 direct subsidiary of Eversource Energy. We  
24 joined Eversource in 2017, after the Commission

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 reviewed and determined the transaction would not  
2 adversely affect the rates, terms, service, or  
3 operation for the Aquarion-New Hampshire  
4 customers. Again, that was a transaction  
5 affecting 9,600 customers in the state. Also,  
6 Aquarion has 322 employees serving customers in  
7 all three states, including 11 employees based  
8 here in New Hampshire.

9 As I said, we're very excited about the  
10 prospect of having Abenaki join our organization,  
11 because we believe we can provide the support  
12 structure and resources Abenaki needs to improve  
13 service and invest needed capital at the lowest  
14 reasonable cost. Aquarion is a highly  
15 experienced water supply and distribution  
16 operator, and this includes our experience  
17 acquiring and integrating smaller systems, such  
18 as Abenaki.

19 We work very hard to promote  
20 operational excellence across all of our  
21 companies. And we promote a culture of safety,  
22 conservation, sustainability, and customer  
23 service throughout the organization. And we are  
24 continuously working to maintain and improve our

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 water systems.

2 We develop annual capital plans that  
3 typically include major projects for the  
4 installation of new equipment or the replacement  
5 of existing equipment and facilities to ensure  
6 that our subsidiaries can provide safe, reliable  
7 water service.

8 We also recognize how important it is  
9 for a water utility to be a responsible steward  
10 of the environment. And we take that  
11 responsibility very seriously. We also take  
12 pride in the fact that Aquarion is a leader in  
13 its local communities, and we actively support  
14 many non-profits in the service areas to promote  
15 environmental conservation and awareness,  
16 education, health, and cultural appreciation.  
17 Our employees are active in many of these  
18 organizations.

19 As we stated in our Petition, we have  
20 structured the transaction that is before you to  
21 have no adverse effects for customers. And, in  
22 fact, we believe it will provide tangible  
23 benefits to Abenaki customers for several  
24 reasons.

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           First, Abenaki will continue to be  
2           regulated by the Commission as it is today. The  
3           transaction is not conditioned on a rate  
4           increase, and we're not adding costs to or  
5           otherwise affecting the Commission's review of  
6           Abenaki's rate proposal that is taking place in a  
7           separate docket.

8           Second, we recognize there are some  
9           longstanding service issues across Abenaki's  
10          system. Our team has already started discussing  
11          those issues with Abenaki, and we plan to bring  
12          our experience and resources to help find the  
13          best solutions for customers if the transaction  
14          is allowed to move forward.

15          We also understand the importance of  
16          local control and accessibility to our employees.  
17          Abenaki customers will continue to be served by  
18          Abenaki New Hampshire-based employees. We have  
19          committed to retain all of the Abenaki employees  
20          and those of its parent company, NESC, following  
21          the closing. And this provides assurance and job  
22          security to the employees. It also enables us to  
23          ensure a seamless transition for customers. The  
24          Abenaki employees have valuable knowledge about

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 the water systems that will be important to the  
2 Company moving forward.

3 We are also very -- we are also a much  
4 larger company than NESC. As part of Eversource,  
5 Aquarion will provide a very stable and strong  
6 financial platform for Abenaki. Aquarion has  
7 annual operating revenues of approximately \$215  
8 million, and a very strong corporate credit  
9 rating from both Standard & Poor's and Moody's.  
10 And this will be a significant upgrade from  
11 Abenaki's current corporate parent.

12 And, finally, we have identified  
13 specific near-term cost savings that will result  
14 if the transaction is approved, through  
15 reductions for items such as administrative  
16 costs, elimination of the NESC Board of  
17 Directors' fees, and reductions in annual  
18 insurance costs.

19 In these types of transactions, there  
20 are often additional long-term cost savings that  
21 will emerge over time. We have also stated that  
22 Aquarion will not seek recovery of any  
23 transaction costs in this docket. And that any  
24 proposal to do so will happen in a future rate

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 case, and would be made only to the extent that  
2 we can demonstrate net savings to customers that  
3 exceed the amount of the transaction costs.

4 In closing, again, I'd like to thank  
5 you for the opportunity. We firmly believe that  
6 the transaction provides an opportunity for  
7 Abenaki customers to be served by an organization  
8 with greater financial strength, broader  
9 operating experience, and substantial technical  
10 capabilities and resources. If the Commission  
11 allows the transaction to move forward, we are  
12 confident that Aquarion will enable Abenaki  
13 customers to receive improved service in a  
14 cost-efficient manner. Thank you.

15 Mr. Vaughan also has a brief opening  
16 statement.

17 A (Vaughan) Thank you, Don. And, good morning,  
18 Commissioners and to the parties.

19 Abenaki Water is also very excited by  
20 the prospect of joining Aquarion. I agree with  
21 Don's comments and strongly support the proposal  
22 before you today.

23 As the Commission is aware, Abenaki  
24 currently provides water distribution services to



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 approximately 720 water customers in Bretton  
 2 Woods, Bow, Gilford, and Belmont, and 158 sewer  
 3 customers in Belmont. We have a relatively small  
 4 customer base, and our service territory is  
 5 geographically dispersed across the state.

6 As Don said, the rates, terms, and  
 7 conditions of service to Abenaki customers will  
 8 not change or be adversely affected by the  
 9 transaction. The transaction is not conditioned  
 10 on a rate increase. And the transaction is not  
 11 adding costs to or otherwise affecting the  
 12 Commission's review of Abenaki's rate proposal in  
 13 DW 20-112. That case will continue to proceed on  
 14 a separate track.

15 It was very important to me for the  
 16 transaction to be structured in a way that will  
 17 provide continuity of service to customers. I am  
 18 pleased that Aquarion has committed to retain all  
 19 of the NESC employees, including the New  
 20 Hampshire-based employees, following the closing.  
 21 I have worked with our employees for many years,  
 22 and I know how dedicated they are to serving  
 23 customers.

24 I have elected to retire, and will not

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 be joining Aquarion upon closing. But the  
2 combined experience of our employees will enable  
3 the transition to Aquarion to occur seamlessly  
4 and without any negative impact on customer  
5 service or operations.

6 From Abenaki's perspective, the  
7 transaction with Aquarion has only upside. It is  
8 a unique opportunity to continue to provide  
9 quality service to Abenaki customers, but with  
10 the added benefit of a stronger financial  
11 platform, broader operating experience, and a  
12 deeper bench than what we have now. The  
13 attributes that Mr. Morrisey described in his  
14 opening statement became clear to us in our  
15 discussions with Aquarion, and were very  
16 important considerations in the ultimate decision  
17 to enter into the agreement with Aquarion. We  
18 firmly believe Aquarion will position Abenaki to  
19 deliver safe and reliable water service at a very  
20 high level, which is exactly what Abenaki's  
21 customers expect and deserve. The transaction is  
22 a clear win for Abenaki's customers and  
23 employees, and we hope the Commission agrees.

24 For these reasons, Abenaki supports the

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 Petition and requests a determination from the  
2 Commission to allow the transaction to move  
3 forward.

4 Thank you.

5 MR. VENORA: Thank you, Mr. Vaughan.  
6 Chairwoman Martin, the panel is available at this  
7 point for cross-examination.

8 CHAIRWOMAN MARTIN: Okay. Thank you.  
9 Mr. Kreis, would you like to begin?

10 MR. KREIS: I'd be delighted to begin,  
11 Madam Chairwoman. Thank you for that  
12 opportunity.

13 Let me just begin by saying that all of  
14 the questions I have today are for either Mr.  
15 Vaughan or Mr. Morrisey. And I will address each  
16 of my questions specifically to either Mr.  
17 Vaughan or Mr. Morrisey. And I respectfully  
18 request that the witness to whom I address my  
19 question provide an answer to that question.  
20 And, if the Petitioners or anybody else would  
21 like any of the other witnesses to answer any of  
22 the questions I happen to ask, I request that  
23 that be consigned to redirect as appropriate.

24 **CROSS-EXAMINATION**

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 BY MR. KREIS:

2 Q Okay. Let me start with Mr. Vaughan. I'm going  
3 to focus a little bit on Abenaki, in relation to  
4 the other operating companies of New England  
5 Service Company. And I just want to make sure I  
6 have a correct understanding.

7 New England Service Company has, I  
8 guess, one, two, three -- four regulated utility  
9 operating subsidiaries currently, correct?

10 A (Vaughan) That is correct.

11 Q And those operating companies consist of Abenaki,  
12 here in New Hampshire; Valley Water Systems, down  
13 in Connecticut; and then Mountain Water and  
14 Colonial Water, in Massachusetts, correct?

15 A (Vaughan) That is correct.

16 Q And could you, I know that the Petition, at Page  
17 2 of Exhibit 1, lists how many customers each of  
18 those affiliates has, roughly what percentage of  
19 the water customers that are served by New  
20 England Service Company overall are here in New  
21 Hampshire?

22 A (Vaughan) Approximately, Mr. Kreis, there are  
23 780 -- oh, I beg your pardon, I want to say 720  
24 customers in Abenaki, out of about 10,000 in

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 total.

2 Q So, that's a fairly small percentage, wouldn't  
3 you agree?

4 A (Vaughan) Yes.

5 Q And you referred to "720 water customers of  
6 Abenaki" and "158 sewer customers". Are the 158  
7 sewer customers included in the 720 water  
8 customers?

9 A (Vaughan) Yes.

10 Q Okay. Now, turning to Mr. Morrisey, Exhibit 14  
11 refers to an acquisition premium of \$23.77  
12 million. Is that correct?

13 A (Morrisey) That's correct.

14 Q And that acquisition premium was based on what  
15 was then the applicable share price of a -- or,  
16 the price of a share of Eversource stock, because  
17 the price is tied to the share -- the price of  
18 Eversource stock on the date that the merger is  
19 expected to close, true?

20 A (Morrisey) Yes.

21 Q And would it be fair to say, I happened to check  
22 the price of Eversource stock as it closed on  
23 Friday afternoon, and I noticed it was \$80.29.  
24 That's somewhat less than the figure quoted in

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 the Petitioners' filings, true?

2 A (Morrisey) That is correct.

3 Q So, assuming that the share price continues to  
4 trade roughly where it is now, the acquisition  
5 premium of 23.77 million will be, I guess you can  
6 characterize it however you want, but I would say  
7 somewhat smaller than 23.77 million?

8 A (Morrisey) I'm sorry, I've got to think through  
9 the accounting on that. I'm not sure if the  
10 amount of the premium is going to change, because  
11 the price is locked based upon that \$87 that was  
12 agreed to.

13 I think the important piece, in terms  
14 of -- that none of the acquisition premium is  
15 being requested to be recovered from the  
16 operating companies. So, this will all -- this  
17 will be something that the shareholder pays. It  
18 is not coming and flowing down to the operating  
19 subsidiaries, meaning Abenaki.

20 Q So, in other words, you are not here asking for  
21 recovery of acquisition premium. And, did I hear  
22 you -- did I understand you correctly, you, on  
23 behalf of your company, Aquarion, are committing  
24 to no recovery of acquisition premium ever from

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 New Hampshire customers, of either Aquarion or  
2 Abenaki?

3 A (Morrisey) We are.

4 Q And you're apparently, according to what you just  
5 said, making the same commitment in Massachusetts  
6 and Connecticut as well, is it?

7 A (Morrisey) That is correct.

8 Q Would it be fair to say that 23.77 million is a  
9 fairly significant acquisition premium that  
10 Aquarion, and ultimately Eversource, have agreed  
11 to pay to acquire New England Service Company and  
12 its subsidiaries?

13 A (Morrisey) Well, yeah. It certainly is. It's a  
14 significant premium. It is the -- effectively,  
15 the market rate these days, in terms of how water  
16 utilities are trading.

17 Q Well, that's sort of anticipating my next  
18 question, which is why, to your knowledge, did  
19 Aquarion agree to pay such a large acquisition  
20 premium, which, according to my math, is  
21 basically -- well, it's in excess of the current  
22 book value of the company that Aquarion has  
23 agreed to acquire?

24 A (Morrisey) Well, I think it would be, in this

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 case, we saw the New England Service Company a  
2 very attractive purchase, because of the  
3 footprint that it resides in is similar to  
4 Aquarion's, in terms of its Connecticut,  
5 Massachusetts, and New Hampshire operations.

6 We are interested in growing the  
7 Company for the benefit of our customers, and for  
8 our shareholders. And, in order to -- in order  
9 to achieve growth, at times you will pay a  
10 premium for acquisitions, as is the case here  
11 with New England Service Company.

12 Q You mentioned "similar footprints". How similar  
13 are the footprints in New Hampshire?

14 A (Morrisey) Oh, I'm sorry. So, when I was saying  
15 "similar footprints", I'm saying "we are doing  
16 business in the three states." Our operating  
17 subsidiaries, we are familiar with the regulators  
18 in Connecticut, Massachusetts, and New Hampshire,  
19 and the process by which to operate, to the rules  
20 and regulations, the expectations of the  
21 Commission, the OCAs in the respective states,  
22 and so on.

23 With respect to the Abenaki, as I think  
24 Mr. Vaughan expressed in his opening statement,



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 even the Abenaki operations themselves are very  
2 geographically diverse, and, frankly, I think the  
3 closest operation to our operation in New  
4 Hampshire are Hampton, North Hampton, and Rye,  
5 where we serve close to 10,000 customers, it's  
6 more than an hour away. So, it would be a  
7 challenge. So, that overlap, it's not quite as  
8 tight as we might hope. But there's other  
9 benefits for being and operating in the same  
10 state.

11 Q What would those other benefits be, from a  
12 shareholder perspective?

13 A (Morrisey) Well, from a shareholder -- well, from  
14 a shareholder perspective, and as well as from a  
15 customer's perspective, but it's the experience,  
16 in terms of dealing with the process, such as how  
17 do you go about filing a rate case; what is the  
18 environment or what are the rules and regulations  
19 like, in terms of either health -- Department of  
20 Health, Department of Environment, and so on.  
21 So, that familiarity is beneficial, and there's  
22 that crossover benefit.

23 Q So, in other words, your testimony is that your  
24 employer agreed to pay an acquisition premium

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           that basically more than doubles the book value  
2           of Abenaki, because you or your superior officers  
3           like the fact that Abenaki is operating in the  
4           same three states that New England Service  
5           Company is in?

6    A       (Morrisey) No, I did not say that. I'm saying  
7           that, first of all, we're not doubling the book  
8           value. The book value, the assets of the  
9           business are the assets of the business. The  
10          rate base of Abenaki will not change as the  
11          result of this transaction. In fact, that the  
12          holding company, Aquarion Company, agreed to pay  
13          an amount in excess of book value, that premium  
14          will represent goodwill and will be reflected on  
15          a holding company books. It will not be sought  
16          in any rate case or any future recoveries, as I  
17          just stated a moment ago.

18   Q       Thank you. And I apologize for my imprecise use  
19          of accounting terms. So, that goodwill will go  
20          on the books. And the reason for such a large  
21          amount for goodwill is because you and your  
22          company like the fact that Aquarion and New  
23          England Service Company are operating in the same  
24          three states, Massachusetts, New Hampshire, and

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 Connecticut?

2 A (Morrisey) Well, that's one specific point.  
3 That's one attribute of the New England Service  
4 Company acquisition that was particularly  
5 attractive, yes.

6 Q Are there any --

7 A (Morrisey) I'm not saying that's the exclusive  
8 reason. I think there's multiple reasons why,  
9 you know, it's attractive.

10 Q Well, I asked you what those reasons were, and  
11 that is the one that you gave. Are there any  
12 other reasons?

13 A (Morrisey) Oh, sure. Well, you know, we're in  
14 the water business. Right? So, in terms of  
15 regulated, you know, if we take a look across the  
16 United States today, it's largely a fragmented  
17 industry. You've got 55,000 disparate,  
18 geographically diverse water systems across the  
19 country. About 85 percent of them are controlled  
20 by municipal entities. The other 15 percent are  
21 controlled by investor-owned utilities, such as  
22 New England Service Company. If we take a look  
23 at the -- if you take a look at the wastewater  
24 business, which New England Service Company, as

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           you mentioned earlier, also has a small business  
2           within that, 99 percent of that is controlled by  
3           the municipal market, only 1 percent by  
4           investor-owned utilities.

5                        So, the market today is a relatively --  
6           the water industry today is a relatively small  
7           business. Opportunities are few and far between.  
8           Opportunities, such as New England Service  
9           Company, which is, as I mentioned, close by, it's  
10          attractive for that reason.

11                       But, you know, beyond that, I think  
12          there is a -- I've known Don, Don Vaughan, for  
13          many, many years. I think, you know, I  
14          understand the ethos that he operates that  
15          business, there's an entrepreneurial spirit that  
16          I've long admired of Don and his team. I think  
17          the New Hampshire team is particularly --  
18          particularly engaged and interested.

19                       So, there's, you know, there's a  
20          multitude of reasons why a transaction like this  
21          is attractive to us.

22    Q        You lauded Mr. Vaughan's entrepreneurial spirit,  
23              but you have also testified that that  
24              entrepreneurial spirit will be lost to you,

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 because he's about to retire, correct?

2 A (Morrisey) Correct. But I believe that, you  
3 know, he's instilled that in a number of his team  
4 that will be coming over post-closing.

5 Q Sure. Okay. I want to make sure that the  
6 Commission has a full and robust record about the  
7 timeline of the events that are at issue here.  
8 And I think I want to move back over to Mr.  
9 Vaughan.

10 Mr. Vaughan, is it a correct statement  
11 to say that, on the July 16th of 2020, your  
12 company, meaning Abenaki, filed a Notice of  
13 Intent with the Commission with respect to its  
14 intention to seek certain rate increases? Is  
15 that true?

16 A (Vaughan) I believe that is true.

17 Q And Exhibit 5 [Exhibit 25?] states that, in  
18 mid-July, you and Mr. Morrisey had a telephone  
19 conversation. Do I have that correct?

20 A (Vaughan) Yes.

21 Q And then, Exhibit 26 reiterates that that  
22 conversation took place in "mid-July". Do you  
23 know what the precise date of that conversation  
24 was?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Vaughan) I do not know offhand. The best I can  
2 say is that it was mid-July.

3 Q Mr. Morrisey, do you remember what the date of  
4 that conversation was?

5 A (Morrisey) The phone conversation?

6 Q Yes. The one that -- the one that's referenced  
7 in Exhibit 25 and Exhibit 26, and is described as  
8 having taken place "in mid-July".

9 A (Morrisey) No, I don't. I think what the -- the  
10 message, it was a brief conversation. And, from  
11 there, we essentially just set up a date in which  
12 we could get together for lunch for chatting.

13 Q So, but it is a fair statement, Mr. Morrisey, to  
14 say that, around the time that Abenaki was filing  
15 its Notice of Intent with respect to filing a  
16 rate case, you and Mr. Vaughan had your very  
17 first preliminary conversation about the  
18 possibility of the transaction that we're talking  
19 about here today?

20 A (Morrisey) Well, for sure, I think the facts are  
21 the facts, right? I mean, we met at that time.  
22 But, to the -- to the extent that, if there's any  
23 suggestion that we had any part in terms of  
24 filing a rate case, or having any input into that

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 rate case, I will tell you today that there was  
2 absolutely zero input. It was not requested of  
3 me, for my input or thoughts about it, and, so --

4 Q Okay. I didn't mean to suggest that in any of my  
5 questions, and I'm happy to hear your testimony  
6 to that effect.

7 And then, again, referring to Exhibit  
8 25, you, Mr. Morrisey, had lunch with Mr. Vaughan  
9 on July 30th?

10 A (Morrisey) Yes.

11 Q What did the two of you talk about at that lunch?

12 A (Morrisey) At that lunch, I mean, in terms of the  
13 particulars, I think we were talking about, you  
14 know, the operations of New Hampshire. And I  
15 think, you know, he was beginning to, Don, and he  
16 can confirm it, if it was the board, but I think  
17 there was just consideration of "Hey, is  
18 there" -- "would we have some interest? Does it  
19 make sense for, you know, a joining of forces?"  
20 You know, would there be interest on our part in  
21 acquiring the New Hampshire operation?

22 Q Can you say, Mr. Morrisey, who initiated this  
23 contact? Was it you and the folks on your side  
24 of the ledger at Aquarion or was it Mr. Vaughan

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 and his folks on the New England Service Company  
2 side?

3 A (Morrisey) Well, and Don can correct me if he  
4 views it differently, I think, you know, he and  
5 I, we would catch up from time to time, and, you  
6 know, my predecessor had met with Don for a  
7 number of years. And I certainly continued on,  
8 just getting a sense in terms of any exit  
9 strategy.

10 In the case of this meeting, I believe  
11 Don had reached out and wanted to get together,  
12 which I was happy to do so.

13 Q Sure. And then, again, Exhibit 9 says that  
14 negotiations on the potential transaction began  
15 during that month. That would be a correct  
16 statement, yes, Mr. Morrisey?

17 A (Morrisey) During the month of July?

18 Q August of 2020.

19 A (Morrisey) Or the month of August? Yes, I mean,  
20 shortly thereafter. I mean, I think the -- what  
21 we had agreed to do is, you know, share some  
22 information, learn a little bit about the  
23 operation. And, you know, during the course of  
24 that, this was, you know, I didn't know a lot



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           about Abenaki at that time. I think it became  
2           clear that there's some operational issues that  
3           were being worked through. And it was pretty  
4           evident that there was a need for an increase in  
5           rates as well.

6    Q       And then, again, according to Exhibit 9, the two  
7           Companies signed a non-disclosure agreement on  
8           September 1st, correct?

9    A       (Morrisey) That's correct.

10   Q       And would it be fair to say, as somebody who is  
11           looking at this from the outside, that at that  
12           juncture that signing of a non-disclosure  
13           agreement is a sign that the two parties are not  
14           just having a casual conversation, they are  
15           seriously considering entering into some kind of  
16           a transaction?

17   A       (Morrisey) Well, certainly. I mean, it doesn't  
18           mean -- signing an NDA certainly doesn't mean  
19           that you're going to get a deal done. It means  
20           that there's parties that are interested in  
21           exploring and learning what the options are, and  
22           what it might take to get a deal done.

23   Q       And what Aquarion said is that that signing of  
24           the non-disclosure agreement triggered "due

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 diligence" and "reverse due diligence". And I  
2 guess, maybe just to satisfy my curiosity, Mr.  
3 Morrisey, what exactly is "reverse due  
4 diligence"? I know what "due diligence" is. But  
5 I've never heard of "reverse due diligence", but  
6 then I've never negotiated a merger.

7 A (Morrisey) Sure. Well, in a case like this, this  
8 would be where it's really for the benefit of,  
9 and I'm aware there's others, you know, I'm sure  
10 Attorney Cranmore can probably explain it much  
11 better than I can, but I'll take a shot at it.

12 So, "reverse due diligence", it's a way  
13 to protect the sellers, so, in this case New  
14 England Service Company. So, as a case in point,  
15 they're going to want to be sure that they have  
16 done some homework on Aquarion, and perhaps our  
17 parent company, Eversource. So, they're going to  
18 be receiving as compensation Eversource stock.  
19 So, they're going to want to make sure that  
20 there's, you know, there's no, you know, any  
21 ghosts in the closet or anything like that.  
22 They're going to want to make sure "Hey, is this  
23 a strong business, with good prospects?",  
24 etcetera. So that they would ask questions of us

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 and we would respond to them. You know,  
2 analysts' reports, that would be an example for a  
3 reverse due diligence, "Hey, can you share with  
4 us the analysts' reports that you're receiving  
5 that people are asking questions about of  
6 Eversource and their prospects?"

7 Q Okay. Turning back to Mr. Vaughan. Mr. Vaughan,  
8 it's correct to say that your company filed its  
9 Abenaki rate case with the Commission, the one  
10 docketed as DW 20-112, initially on September  
11 15th of 2020?

12 A (Vaughan) I believe that's right.

13 Q And, so, would it be fair to say that on that  
14 date, September 15th, 2020, when you made that  
15 original rate case filing, your company was fully  
16 aware that the possibility of a sale to Aquarion  
17 was under active consideration?

18 A (Vaughan) Yes. We were considering it at that  
19 time.

20 Q And then, you made a temporary rate filing on  
21 September 21st, 2020. And then, four days later,  
22 on September 25th, you asked the Commission for  
23 leave to withdraw your rate case. First of all,  
24 do I have those dates correct?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Vaughan) I don't have a handle on those precise  
2 dates. But I would say that would be in the  
3 neighborhood of that week.

4 Q And why did Abenaki ask the Commission for leave  
5 to withdraw the rate case that it had just filed  
6 a few days earlier?

7 A (Vaughan) The reason, in retrospect, we should  
8 have perhaps retained the services of counsel,  
9 Mr. Steve St. Cyr attempted to prepare the  
10 exhibits, all the accounting, and compile the  
11 testimony. And, as I recollect, he submitted it  
12 to the Commission. And there was some format  
13 errors, there were some typos. And, so, I  
14 believe Staff suggested that he withdraw the  
15 Petition, correct it, and then resubmit it.

16 Q And that is what happened on October 30th of  
17 2020, correct?

18 A (Vaughan) I don't have the precise date, but I  
19 would guess that's about the right timeframe.

20 Q Okay. And, at the time that you refiled your  
21 rate case, you requested temporary rates, and you  
22 requested a rate effective date of December 1st  
23 of 2020 for temporary rates, which means that's  
24 when permanent rates would be reconcilable back

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 to, correct?

2 A (Vaughan) Yes.

3 Q And then, again with reference to Exhibit 9, you,  
4 at New England Service Company, formally acquired  
5 investment advisory services on December 8th of  
6 2020?

7 A (Vaughan) Yes.

8 Q And again, looking at this from the outside, that  
9 would be a sign, I think to me and to the  
10 Commission, that at that point this was becoming  
11 a very serious possibility. New England Service  
12 Company was very, very seriously considering  
13 signing an agreement to sell itself to Aquarion.  
14 Would that be a fair statement?

15 A (Vaughan) Yes. We were along that path, yes.

16 Q And then, on February 1st of 2021, there was a  
17 prehearing conference in the rate case, at which  
18 point the parties agreed on a schedule that would  
19 govern the rate case? Correct?

20 A (Vaughan) Yes.

21 Q And then, on March 25th, there was a Settlement  
22 Agreement filed in 20-112 on temporary rates that  
23 provided for setting temporary rates at their  
24 current rates. Do I have that right?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Vaughan) I believe you do.

2 Q And then, the Merger Agreement that is before the  
3 Commission today, that was actually signed after  
4 all of that happened, on April 7th, 2021?

5 A (Vaughan) Yes.

6 Q And, ultimately, what the Commission approved in  
7 Order Number 26,482 is that those temporary rates  
8 would apply to service-rendered after December  
9 31st, 2020. Do I have that correct?

10 A (Vaughan) I believe you do.

11 Q So, the effect of all of this is that whatever  
12 new permanent rates come out of the rate case  
13 will be fully reconcilable back to January 1st of  
14 this year, 2021?

15 A (Vaughan) Yes.

16 Q And then, just relatively a few weeks ago, on May  
17 27th, the parties to the rate case recommended  
18 suspending the deadlines that were then effective  
19 for the so-called "Settlement track" in the rate  
20 case, and the Settlement track hearing date was  
21 canceled. And, so, what we have now are a  
22 hearing in the rate case, 20-112, scheduled for  
23 early November, I think it's November 2 through 4  
24 of 2021. Do I have that right?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Vaughan) I believe you do. I did not attend  
2 that technical session, but I believe that is  
3 correct.

4 Q Okay. Turning back to Mr. Morrisey. Exhibit 1,  
5 which is the Petition, at Page 7, says that this  
6 transaction meets both or either of the so-called  
7 "no net harm" or "no adverse impact" standard,  
8 because, first, there will be local control of  
9 the Company, and you mentioned this in your  
10 opening statement today, and the changes will be  
11 seamless to customers in light of the experience  
12 of both the Aquarion employees and your  
13 employees. And, so, I want to focus on this  
14 question of "local control". The employees that  
15 you intend to retain -- well, first of all, it is  
16 a fair statement that Aquarion has agreed to  
17 retain all of the New England Service Company  
18 employees that help Abenaki operate, with the  
19 exception of Mr. Vaughan, who is retiring.  
20 That's a correct statement, yes, Mr. Morrisey?

21 A (Morrisey) Yes. It is.

22 Q And you mentioned "local control". Are the  
23 employees of New England Service Company, who are  
24 going to be providing service to New Hampshire,

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 are they in control of Abenaki Water Company?

2 A (Morrisey) I'm not sure I understand your  
3 question.

4 Q Well, I guess I'm trying to --

5 A (Morrisey) I mean, in terms of the -- oh, sorry,  
6 go ahead.

7 Q Well, I'm trying to figure out what you meant  
8 when you referred to "local control" earlier  
9 today, --

10 A (Morrisey) oh, sure.

11 Q -- and it's in Exhibit 1 as well.

12 A (Morrisey) Sure. Well, certainly, in terms of  
13 the employees, the New England Service Company  
14 employees that are based in Gilford, New  
15 Hampshire, those three employees, those three  
16 employees are going to come over to Aquarion  
17 Company. They will become Abenaki Water Company  
18 employees post-merger.

19 In terms of the reference, "what did we  
20 mean by "locally controlled"?" We are a -- we  
21 are a New England utility, that provides, you  
22 know, water services to the three states. So,  
23 we're familiar, you know, our employees live and  
24 operate in the systems that we serve. And, so,



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 that was the intention and the rationale behind  
2 that statement.

3 Q Super. So, in other words, there will be three  
4 employees based in New Hampshire, who will be  
5 helping the New Hampshire customers of Abenaki  
6 get the service that they need, and -- but they  
7 won't -- just they won't be "in control". But,  
8 when you refer to "local control", you really  
9 were alluding to the fact that both the old  
10 Aquarion -- or, both the old Abenaki, excuse me,  
11 and the new Abenaki will be controlled by a  
12 company based here in New England?

13 A (Morrisey) Correct.

14 Q Okay. Exhibit 1, again, that's the Petition, at  
15 Page 7, uses the phrase "relentless commitment to  
16 excellence", and then, later on the same page,  
17 "relentless focus on the operational excellence  
18 of its operating subsidiaries."

19 A (Morrisey) Uh-huh.

20 Q Mr. Morrisey, what does "relentless" mean in that  
21 context?

22 A (Morrisey) What it means is that, you know, our  
23 focus, we are a water utility. That is what we  
24 do 24/7/365. We measure everything we do, we run

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 the business through Key Performance Indicators,  
2 KPIs. We take a balanced scorecard approach to  
3 that, in terms of metrics that are measuring, you  
4 know, customer service, operational efficiency,  
5 employee, as well as financial. So, those, you  
6 know, that balanced scorecard, those four main  
7 areas. And amongst that we've got, you know, 30  
8 or 40 different metrics that are keeping an eye  
9 on that.

10 So, you know, as a result of managing  
11 this, and it's a journey, right, in terms of  
12 continuous improvement. And, you know, I'm proud  
13 to say that, as a result of that, we've been, you  
14 know, in our JD Power Survey scores, you know, we  
15 have been Number 2 in the Northeast Mid-Size  
16 segment. So, that's a significant  
17 accomplishment.

18 Ninety-four (94) percent of our  
19 customers who receive water from us say that  
20 they've been satisfied or extremely satisfied  
21 with the service that they get from us. So, that  
22 "relentless" is -- I think it's -- part of it is  
23 the culture, but it's part of, you know,  
24 following it through on measuring what we do and

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 where we can improve.

2 Q Okay. A little bit of that went by a little  
3 fast. You referred to I think it was "KTIs",  
4 what does that stand for?

5 A (Morrisey) Oh, I'm sorry. "Key Performance  
6 Indicators", "KPIs".

7 Q Oh, "KPIs". Key Performance Indicators.

8 A (Morrisey) Yes. My apologies.

9 Q And by that you meant there are I think you said  
10 "30 or 40 metrics" that you track to sort of  
11 self-assess your Company's performance?

12 A (Morrisey) That is right.

13 Q And is there anything in the Petition that lays  
14 those metrics out or -- well, is there anything  
15 in the Petition that lays out those metrics?

16 A (Morrisey) I don't believe so. I don't believe  
17 there was, I think, a need. Certainly, it would  
18 be something that we would bring forward, and,  
19 actually, I don't want to misspeak here, but, in  
20 terms of a regulatory, a general rate filing, you  
21 know, typically, that might be something that we  
22 would bring forward in terms of describing some  
23 of those metrics.

24 Q And, with respect to either what you have

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           presented to the Commission here for approval or  
2           what is in the written agreement under which this  
3           transaction will go forward, is there anything in  
4           there that commits Aquarion to meeting any  
5           standards with respect to those 30 or 40 metrics,  
6           those known performance indicators?

7   A       (Morrisey) No. No. There's nothing there.

8   Q       So, basically, you're asking the Commission to  
9           trust Aquarion, based on its reputation for  
10          excellence, that that excellence will make itself  
11          felt post-transaction in the Abenaki service  
12          territory?

13   A       (Morrisey) Well, I think that, in our case,  
14          there's some familiarity with Aquarion, in the  
15          type of shop that we run, with the Commission.  
16          So, hopefully, there's some trust there already.  
17          And, to the extent that there's an interest in  
18          these -- learning more about the metrics, happy  
19          to share those with you.

20                        But, again, this is, you know, where  
21          you began with this line of query, Mr. Kreis,  
22          was, you know, "what does it mean by  
23          "relentless"?" And, you know, my response to you  
24          is that we try to run the business in an

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 efficient manner. And, to do that, the business  
2 is evolving. There's more and more demands on  
3 water utilities these days with tougher and  
4 tougher standards.

5 Our customers, call it the "Amazon  
6 effect" or how they're receiving business  
7 services from other aspects of their lives, the  
8 demands and the expectations upon water utilities  
9 today, it's getting tougher and tougher. And, in  
10 order for us to, you know, remain a top, you  
11 know, top tier a utility, we need to get better,  
12 and we do that by measuring what we do.

13 Q Thank you. On Page 8 of the Petition, Exhibit 1,  
14 the Petitioners refer to, and now I'm reading,  
15 "cost reductions for administrative costs,  
16 elimination of board of directors fees, and  
17 reductions in annual insurance costs."

18 Mr. Morrisey, is Aquarion saying that  
19 there will be no administrative costs associated  
20 or imposed on Abenaki ratepayers post-merger?

21 A (Morrisey) No. I think what we're saying within  
22 this is that there will be specific -- we know of  
23 certain expenses which will no longer be  
24 necessary post-closing, and that we've identified

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 those as savings.

2 In the case of this "administrative  
3 expenses", I think this is referencing Mr.  
4 Vaughan's, you know, pending retirement  
5 post-close. And the portion of those savings  
6 that are attributable to, you know, the  
7 relatively small size of this operation, that  
8 benefit is flowing through, and is expected to  
9 be, you know, a permanent savings as we move our  
10 business forward.

11 Q Mr. Morrisey, is Aquarion guarantying that  
12 administrative overhead will be lower under  
13 Aquarion than it currently is under New England  
14 Service Company?

15 A (Morrisey) Unfortunately, I can't guarantee  
16 anything. I think, you know, certainly expect  
17 and the hope would be that expenses will be  
18 lower. I mean, this is the business that we're  
19 in is one with tremendous economies of scale.  
20 So, to the extent that the services that are  
21 being currently provided through the NESC holding  
22 company, as those are supplanted with those that  
23 are coming from Aquarion, again, that broader  
24 base, the expectation and certainly my hope is

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           that those expenses will be lower in the future.

2   Q       Mr. Morrisey, does Aquarion have a board of  
3           directors?

4   A       (Morrisey) We do.

5   Q       And does Eversource have a board of directors?

6   A       (Morrisey) They do.

7   Q       Would it be fair to say that the retail customers  
8           of Eversource subsidiaries pay for expenses  
9           associated with those Boards of Directors?

10  A       (Morrisey) I don't know the answer to that. I  
11           think it's -- it becomes -- it's adjudicated on a  
12           state-by-state level, in terms of whether those  
13           expenses are recoverable in the rate proceeding  
14           or not.

15  Q       Another cost reduction that the Petition refers  
16           to is "lower borrowing costs", arising out of the  
17           fact that Aquarion has a better credit rating  
18           than New England Service Company. Is Aquarion,  
19           again this is a question for Mr. Morrisey, is  
20           Aquarion guarantying that Abenaki customers will  
21           see a reduced cost of debt, because Aquarion will  
22           be borrowing money at its level, at the parent  
23           company level, rather than having Abenaki borrow  
24           money itself?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Morrisey) Well, again, I can't guarantee  
2 anything, in terms of what the future might hold  
3 in terms of rates. I can say with -- in a  
4 definitive fashion that companies with a superior  
5 credit rating can borrow at a lower cost of debt  
6 than those companies that have a less favorable  
7 credit rating.

8 So, I think we provided in some of our  
9 responses to the interrogatories, as an example,  
10 the short-term debt facility that would be  
11 available to finance on a short-term basis some  
12 of the capital projects with Abenaki. And  
13 there's some real savings that will be realized  
14 there for sure.

15 Q Is Aquarion -- you'll have to forgive me, but,  
16 you know, two "A" utilities merging, that's very  
17 confusing for somebody like me. It would be  
18 great if you had different letters; but you  
19 don't.

20 Has Aquarion formulated yet a set of  
21 plans for how it intends to make capital  
22 expenditures, relying on that intercompany  
23 borrowing capacity, or are those plans still to  
24 be formulated in the future?



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Morrisey) In terms of the capital itself, in  
2 terms of what projects should be funded and  
3 whatnot?

4 Q Yes.

5 A (Morrisey) We have -- so, the answer is is "no",  
6 we haven't formalized anything. We have been,  
7 over the course of the past couple of months,  
8 have immersed ourselves, and we're learning about  
9 the various projects that are underway, that are  
10 in-flight by Abenaki. Some of them are very  
11 imminent; some of them are well underway. And  
12 we've been kept abreast of those.

13 Q So, just to sort of summarize and wrap up this  
14 little line of questioning, Paragraph 14 of the  
15 Petition, which is on Page 8 of Exhibit 1, talks  
16 about "economic benefits from the transaction".  
17 And that paragraph starts out by saying "Abenaki  
18 customers will see economic benefits from the  
19 transaction." And then, at the end of that  
20 paragraph, the last one, two, three, four, five  
21 words are "potential cost savings over time".  
22 So, what you're really talking about here are  
23 potential cost savings that Aquarion is not in a  
24 position to guarantee here to the Commission in

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 this docket?

2 A (Morrisey) No, I think -- I think in terms of  
3 those few examples that were provided in  
4 Paragraph 14, those are real savings. Those are  
5 short-term savings, and they are real. And we've  
6 gone into some of the detail in various  
7 interrogatory responses. Because those costs  
8 will not -- they're going to flow through to the  
9 customer for sure.

10 I think the last five -- the five words  
11 or so, talks about, in the longer term, there  
12 will be additional savings beyond these. One, to  
13 highlight here what we know of today. And then,  
14 also, you know, highlight the fact that "hey,  
15 based upon our experience", and over the course  
16 of the past nine and a half years, we have closed  
17 on 25 different transactions, added 73 public  
18 water systems, all in Connecticut over that  
19 period of time. And what we've learned over that  
20 is that there are some longer term benefits that  
21 may accrue, that we may not be aware of today,  
22 but they will evolve. And those we can't  
23 identify right here and now, but they're to come.

24 So, there's two pieces. The very real

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 savings, in terms of Mr. Vaughan's salary, the  
2 lower insurance costs, the removal of the board  
3 of directors' fees, that is a real benefit --  
4 economic benefit to be derived now. Plus, on top  
5 of that, there will be some additional -- we  
6 believe there's potential for additional savings  
7 that we're not yet aware of today.

8 Q So, it -- okay. Moving on to Page 9 of Exhibit  
9 1, in Paragraph 15, then you turn to the  
10 "non-economic benefits" that you see from the  
11 transaction. And that paragraph says that  
12 Abenaki and its customers will be able to "take  
13 advantage of a broader range of customer-service,  
14 conservation, and technology options that are  
15 available within Aquarion."

16 Mr. Morrisey, is it your testimony that  
17 retail customers of a water utility care about  
18 things like what technologies are available from  
19 the Company to customers? I'm really -- what I'm  
20 trying to get at here is what are the specific  
21 benefits that customers actually care about that  
22 will be non-economic that customers of Abenaki  
23 can look forward to in the future after this  
24 transaction closes?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Morrisey) Sure. And I'm sorry, you are  
2 referencing a specific interrogatory exhibit?

3 Q No, I'm just talking -- well, I'm referencing the  
4 Petition, which is Exhibit 1.

5 A (Morrisey) Oh.

6 Q And specifically Exhibit 15 [Paragraph 15?],  
7 which talks about "non-economic benefits".

8 A (Morrisey) Okay. So, I believe your question was  
9 is, you know, "what qualitative benefits are, if  
10 I'm a customer of Abenaki, what can I expect or  
11 what would be important to me?"

12 Q Yes. What am I going to get, if I'm a customer,  
13 that will make me feel like I'm getting  
14 non-economic benefits from the new company that I  
15 didn't get from the old company?

16 A (Morrisey) Yes. Well, I think the -- I think  
17 what, hopefully, what you're going to find, you  
18 know, what a customer can expect is a reliable --  
19 a reliable utility, that is providing reliable  
20 service. When there is an issue, they make a  
21 phone call or they have the ability to reach us  
22 in a channel that they might not currently have  
23 now, for example, through chat or some other  
24 channel, and get a responsive -- a responsive

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           rely, and, essentially, a solution to their  
2           problem.

3                       I think it does -- we talked about  
4           "local control" or, I think, in today's  
5           environment, the millennials, the customers of  
6           today, I think they are extremely interested in,  
7           when they partner or when they are a customer or  
8           a client or buying a service, I think they do  
9           care about what the values of that company is.  
10          So, I think our -- the values of stewardship,  
11          conservation, good service, I think those things,  
12          I think they appeal to some folks. And, again,  
13          the fact that, you know, our employees are living  
14          in the communities, I think that matters to some  
15          folks. So, those are qualitative characteristics  
16          as well.

17    Q       Super. So, that paragraph, again, Paragraph 15  
18          of Exhibit 1, on Page 9, says that the  
19          "information systems", you know, again, of  
20          Abenaki, "will be merged into the Aquarion  
21          enterprise computing systems, thus adding  
22          significant customer-facing functionality."

23                       Mr. Morrisey, when will that transition  
24          take place, if you know?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Morrisey) Well, we -- ideally, it would happen  
2 at the time of the close. I mean, we haven't  
3 made a determination. But a lot would have to  
4 happen. You know, we're expecting this process,  
5 the regulatory approval process, to take several  
6 more months, and close in the fourth quarter.  
7 So, the expectation would be that either at  
8 closing or shortly thereafter.

9 Q And, specifically, what additional  
10 functionalities are you talking about? Since I  
11 represent residential customers, I'm really  
12 interested in finding out, and making sure the  
13 Commission finds out, what the customers will be  
14 able to do that they can't currently do as  
15 customers of Abenaki?

16 A (Morrisey) Well, I think, in terms of -- well, a  
17 couple things, in terms of technology. So, we  
18 are -- the platform that we're using, I'd  
19 characterize it as a different level than what's  
20 currently being used by NESC and by Abenaki. We  
21 are an SAP shop, with an enterprise-wide system,  
22 that has a customer -- customer financial assets,  
23 if you think about the large aspects to it. So,  
24 what does it mean to have a large enterprise-wide

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 system like this? It means that the operators,  
2 the people who are in the field, they're being  
3 dispatched work, they're receiving notifications  
4 in terms of the type of work that they're doing  
5 to a Toughbook that's in their vehicle. That's  
6 particularly important, given the remote  
7 operations that we're seeing here, in the case of  
8 Abenaki.

9 You would see, in terms of from a  
10 customer perspective, a customer experience, you  
11 would -- you have got -- we talked about  
12 different channels, in terms of how to reach --  
13 reach a representative. I think we highlight in  
14 one of the interrogatories, we've got I think  
15 another hour where our customer reps are handling  
16 calls. But, if you don't want to make a phone  
17 call, and much of the, you know, younger  
18 generations don't want to make a phone call, they  
19 would rather reach out through a chat or a text,  
20 we've got that functionality, where folks can  
21 receive and can reach out to their water provider  
22 in a channel that's helpful to them. So, I think  
23 that's important.

24 Beyond SAP, the level and extent of

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 SCADA deployment and integration in the overall  
2 operation. Again, I think one of the things that  
3 we're going to be looking at very hard is how do  
4 we deploy SCADA more extensively throughout the  
5 system, so that we've got the ability to assess  
6 some of these remote operations to see how the  
7 systems are performing.

8 Q Thank you. Okay. Turning your attention to the  
9 last three pages of Exhibit 1, and those three  
10 pages are organization charts. The first of them  
11 says "Current Structure", the second of them says  
12 "Aquarion Company Forms Merger Sub", and the last  
13 page is "Post-Transaction Structure".

14 And I guess I'm not terribly interested  
15 in the middle page that talks about sort of the  
16 interim stage of the transaction. But I'm  
17 interested in tracking, with some specificity,  
18 what will be different from the Current Structure  
19 in the Post-Transaction Structure.

20 And I guess I would say for the benefit  
21 of the Commissioners, and anybody else who cares,  
22 that there are references to this in Exhibit 5  
23 and Exhibit 11. And I confess that I'm confused  
24 by the various references to what things will



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 truly look for -- look like post-transaction.

2 So, my question, Mr. Morrisey, is this  
3 to begin with: It is true that New England  
4 Service Company will continue to exist after this  
5 transaction closes. Is that a fair statement?

6 A (Morrisey) That is. That is accurate, yes.

7 Q And is it also accurate to say that Valley Water,  
8 Mountain Water, and Colonial Water, the three  
9 operating affiliates in Connecticut and  
10 Massachusetts, those will cease to exist after  
11 the transaction, and their assets and service  
12 obligations will become part of Aquarion  
13 Massachusetts and Aquarion Connecticut,  
14 respectively. Is that a fair statement?

15 A (Morrisey) Yes.

16 Q But that is not what you are contemplating for  
17 Abenaki here in New Hampshire. Abenaki New  
18 Hampshire will continue to exist as a  
19 freestanding corporate entity?

20 A (Morrisey) Correct.

21 Q And, so, that would mean, for purposes of  
22 liability and responsibility, that Aquarion-New  
23 Hampshire, your New Hampshire operating company,  
24 will not be responsible for anything that happens

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 with Abenaki here in New Hampshire?

2 A (Morrisey) I'm sorry, Aquarion Water Company of  
3 New Hampshire would have no impact on Abenaki?  
4 That's correct.

5 Q No. I mean legal responsibility for what happens  
6 at Abenaki post-merger?

7 A (Morrisey) That's correct. They're separate  
8 legal entities, separate -- meaning separate  
9 businesses, correct.

10 Q Okay. So, here is what is causing my confusion.  
11 What is going to be the relationship, after the  
12 merger, between the New England Service Company,  
13 which will continue to exist, and Abenaki, which  
14 will likewise continue to exist as an independent  
15 corporate entity?

16 A (Morrisey) My guess is that NESC, the involvement  
17 is going to be much more diminished than what  
18 you've seen previously. Right? So, you know,  
19 we're going to be bringing on board somewhere on  
20 the order of 28 employees. I think we're saying  
21 that NESC and the subsidiaries have a total of 29  
22 employees. If we take Don out, we're at 28.  
23 That NESC business, the reason why that's going  
24 to continue to survive is that there are some

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 non-regulated operations that exist. And, so,  
2 it's appropriate for that -- for those operations  
3 to continue to be governed and operated outside  
4 of a regulated operating company. And that's why  
5 NESC will continue to exist.

6 But the expectation is is, to the  
7 extent, as in the case of these three employees  
8 in New Hampshire, that were NESC employees,  
9 post-close they will no longer be NESC employees.  
10 They are going to -- we're going to move them  
11 over, they're working and devoting, if not 100  
12 percent of their time, close to it, to the  
13 regulated operating company. They belong with  
14 within the regulated entity, full stop.

15 Q Okay. So, -- sorry, didn't mean to interrupt.

16 A (Morrisey) Please.

17 Q So, this is really helping me. So, in other  
18 words, those three employees, who are based in  
19 Gilford, New Hampshire, who are currently  
20 employees of New England Service Company, they  
21 are no longer going to be employed by New England  
22 Service Company post-merger?

23 A (Morrisey) That is the plan.

24 Q Who will their employer be?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Morrisey) In terms -- their employer? Well, it  
2 will be Abenaki. So, they're Abenaki --

3 Q So, they --

4 A (Morrisey) Abenaki will have their own board of  
5 directors and their own slate of officers, and  
6 folks that are going to be managing that  
7 operation, and responsible for that operation.

8 Q So, post-merger, Abenaki will have its own board  
9 of directors and three direct employees?

10 A (Morrisey) Correct.

11 Q And there's --

12 A (Morrisey) That we're aware of currently, yes.

13 Q Understood. And there's currently an affiliate  
14 services agreement in place between New England  
15 Service Company and Abenaki. That agreement will  
16 no longer be effective. Do I have that right?

17 A (Morrisey) I believe that's the case. I don't  
18 believe there will be a need for that anymore.

19 Q Okay. Turning to Exhibit 2, which is the  
20 Companies' -- the Petitioners' supplemental  
21 filing. And turning your attention to I believe  
22 it is, let me just make sure I get to that page,  
23 yes. It is Bates Page 021. It's got a bunch of  
24 page numbers on it, but I think the correct Bates

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 number is 021. Could you turn to that page?

2 A (Morrisey) Is this "Schedule 3.16"?

3 Q Let's see. Yes, exactly. It's marked "Schedule  
4 3.16". It's on Bates Page 021 of Exhibit 2.

5 A (Morrisey) Yes, I have that.

6 Q What is that schedule a list of?

7 A (Morrisey) This is a summary of environmental  
8 matters. And, so, when -- if you take a look at  
9 Exhibit 1, the Purchase and Sale Agreement, if  
10 you turn to Section 3.16 of that, it's probably a  
11 representation. And, within that representation,  
12 it will refer back and it will cite those matters  
13 that management, that in this case New England  
14 Service Company is aware of, which has some form  
15 of environmental, you know, environmental concern  
16 or issue, something that it wants, in an effort  
17 of full disclosure, to spell out for -- related  
18 to the sale transaction.

19 Q And would you agree with me that there are 11  
20 items on that page, and 7 of them pertain to  
21 Abenaki here in New Hampshire?

22 A (Morrisey) That is correct.

23 Q To your knowledge, Mr. Morrisey, does the Merger  
24 Agreement require Abenaki to address or resolve

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 all of those issues prior to the transaction  
2 closing?

3 A (Morrisey) I would need to check. Within the  
4 Agreement, I'm sure that there is a section that  
5 will define the expectations of both parties  
6 between now and the closing. And, within that,  
7 I'm very confident that some of these items, I  
8 don't know if all of them, but some of them,  
9 certain actions were to be taken by Abenaki and  
10 by New England Service Company to address these  
11 issues.

12 Q Mr. Morrisey, to your knowledge, does the Merger  
13 Agreement require Aquarion to resolve all seven  
14 of those issues after the transaction takes  
15 place?

16 A (Morrisey) Does the merger? Probably the proper  
17 answer is "I don't know." I would suspect not,  
18 that the Merger Agreement would not specify  
19 something like that.

20 However, to the extent, because we are  
21 buying the stock of this company, we're  
22 essentially going to be stepping in the shoes of  
23 Abenaki. So, to the extent that there are  
24 commitments that Abenaki has made, those

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1 commitments will be inherited and they become our  
2 commitments. And that's one of the reasons why  
3 it is so important that we are talking and  
4 working and collaborating through these issues,  
5 that we've identified what the potential issues  
6 are up front during the negotiations, spelling it  
7 out in the Agreement, agreeing upon what each  
8 party is going to do, so that, again, that  
9 there's a graceful -- a graceful approach to  
10 addressing these specific issues.

11 Q Is Aquarion promising the Commission at this time  
12 that those environmental issues will be resolved,  
13 as a result of Aquarion becoming the owner of  
14 Abenaki?

15 A (Morrisey) Well, you're using the term  
16 "promising". Well, no, I'm not promising. We  
17 have -- we will -- we understand what the issues  
18 are before us, in terms of some of these  
19 operational issues. And we are committed to  
20 addressing these to the best of our ability, in  
21 the most effective and efficient way we can.

22 Q Thank you. Okay. Turning now to Exhibit 3.  
23 Exhibit 3 says "Among the best practices of the  
24 proposed transaction is that Aquarion is not

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           proposing a rate increase for Abenaki customers  
2           as a condition of the transaction, and is not  
3           seeking recovery of any acquisition premium."

4                        So, we've already covered the fact that  
5           the Company has promised not to seek any recovery  
6           of acquisition premium. I want to focus on the  
7           first part of that. And I have to confess that I  
8           want to make sure I understand that statement in  
9           its proper context, and I want to resolve my  
10          astonishment.

11                       Is it your testimony that there are any  
12          circumstances in which a company acquiring a New  
13          Hampshire utility could expect Commission  
14          approval of a transaction that included a rate  
15          increase as a condition of the transaction, under  
16          either a "net benefits" or a "no net harm"  
17          standard?

18    A       (Morrisey) So, your question is, am I aware of  
19          another utility that has requested a rate  
20          increase?" I'm not. I'm not.

21    Q        Could you imagine any circumstances in which that  
22          might be a condition that the Commission would  
23          approve?

24    A        (Morrisey) Could I imagine? Yes. The short



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1 answer is "yes, I could imagine that."

2 Q Okay. Turning now to Exhibit 10, let me do that.

3 Okay. Exhibit 10 is a discovery question that  
4 the Commission Staff posed. And it asked for an  
5 explanation of why Abenaki is going to remain a  
6 freestanding subsidiary, when other operating  
7 companies of New England Service Company are  
8 being absorbed into their respective in-state  
9 affiliates. And the answer says: "Abenaki faces  
10 unique operational challenges due to its relative  
11 size, small customer base, capital investment  
12 needs, and geographically dispersed service  
13 territory."

14 And, Mr. Morrisey, I know this question  
15 is going to sound obnoxious, and I really don't  
16 intend it that way. I really just want to make  
17 sure there's a complete record here for the  
18 Commission to make its decision based upon. And,  
19 so, you aren't going to like this question, but  
20 I'm really interested in your answer.

21 Isn't that statement in Exhibit 10  
22 another way of saying that "Abenaki is a  
23 relatively undesirable acquisition that Aquarion  
24 intends to keep isolated entitywise to prevent it

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 from tainting any of its other affiliates, like  
2 Aquarion-New Hampshire"?

3 A (Morrisey) No. I don't -- I don't agree with  
4 that statement.

5 Q So, what could assure us, as the representatives  
6 of ratepayers, and the Commission, as  
7 representatives of the greater good, that, in  
8 fact, that is not the perspective? That this is  
9 not an undesirable acquisition, meaning Abenaki  
10 here in New Hampshire?

11 A (Morrisey) Well, the fact that we're going  
12 through this proceeding, and we are -- our  
13 attentions and our desire is to acquire this  
14 entity, you know, this subsidiary, that hopefully  
15 that's evidence enough.

16 Q Okay.

17 A (Morrisey) I think, in terms of full disclosure,  
18 there's challenges here. Earlier I had mentioned  
19 that, if you take a look at the water industry  
20 today, there is 55,000 public water systems.  
21 There are too many of them, and they're  
22 disparate, and there's challenges that they  
23 bring.

24 You know, ideally, you bring them

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 together, there's an opportunity to integrate  
2 some of those. Unfortunately, in the case of  
3 Abenaki, these are so disparate, it's just not  
4 realistic, that that will never happen.

5 Q Understood. You go on, in Exhibit 10, to say  
6 "Aquarion determined that it would gain greater  
7 insight into Abenaki's operations by continuing  
8 to operate Abenaki on a stand-alone basis for a  
9 period of time following the acquisition." So,  
10 my first question, Mr. Morrisey, is what period  
11 of time are you talking about?

12 A (Morrisey) Well, I don't -- we haven't decided,  
13 right? There isn't -- it will be the next --  
14 over the next couple of years, I suspect. You  
15 know, assuming that we're successful and the  
16 Commission approves the transaction, it would  
17 take a period of time.

18 Q And, if I understood what you just said  
19 correctly, your guess is that that's about two  
20 years?

21 A (Morrisey) Well, you know, two to -- again, I  
22 don't want to get tied down one way or another in  
23 terms of it. But we need to familiarize  
24 ourselves with the operation. There's a lot

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           going on. You know, this question was geared  
2           towards, "hey, why aren't you doing what you did  
3           in the other two states, in terms of Connecticut  
4           and Massachusetts, and merging those entities?"  
5           And what this -- what our response here is trying  
6           to do is, and maybe if the conditions were a  
7           little bit different than what we're seeing in  
8           the case of the Abenaki, that might be the case.  
9           Unfortunately, the data says something different.  
10          Lots of operational issues, rates that are kind  
11          of all over the place, and not similar to our  
12          existing New Hampshire operating subsidiary. And  
13          the fact that you've got an ongoing New Hampshire  
14          rate case, with a separate docket going on right  
15          now, it just adds a lot of complexity. It makes  
16          it -- it makes it complicated.

17                       And, so, I think the main message is  
18          "Hey, it's not off the table about merging  
19          entities. There is the possibility of doing  
20          that. We need to evaluate it." But our  
21          assessment at this point is the timing isn't  
22          right to even explore it at this stage, because  
23          it would just be too darn complicated.

24          Q       So, you state, in Exhibit 10, and I think you

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           said something similar here in your testimony on  
2           the stand, that operating the Company as a  
3           stand-alone entity will yield "greater insights  
4           into Abenaki's operations." And here's what I  
5           don't get. Why, in order to get that insight,  
6           you know, figuring out how to drive this  
7           particular Volkswagen Microbus, that you need to  
8           operate Abenaki as a stand-alone entity in order  
9           to do that?

10    A       (Morrisey) I'm sorry. So, the question is is,  
11           you know, why do we want to evaluate it before we  
12           make the decision?

13                        I'm sorry. I think I missed the gist  
14           of your question.

15    Q       Well, I think it's reasonable to accept the  
16           premise that, in order to make certain decisions  
17           about how the company will run, how Abenaki will  
18           run post-transaction, the new owners need a  
19           little bit more experience in figuring out how to  
20           do that as effectively as you can. But you gave  
21           that need as a reason for continuing to operate  
22           Abenaki as a stand-alone company. And what I'm  
23           trying to understand, and what I assume the  
24           Commission might like to understand, is why it's

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 important to operate the company as a stand-alone  
2 entity in order to get that kind of experience  
3 that you're talking about?

4 A (Morrisey) Yes. I mean, I think there's just so  
5 much going on in Abenaki right now. You know,  
6 there's so many wheels in motion. You know,  
7 addressing pressure issues up in -- up in Bretton  
8 Woods, or arsenic issues, there's radium issues.  
9 All of these things are going to add a level of  
10 complexity, a level of capital investment, and  
11 cost of service. And those things are in play.  
12 It's a moving part.

13 And, so, you're suggesting -- it sounds  
14 like that the question is suggesting "why not  
15 jump in and make the call now, and rather than  
16 understand each of the operations better?"

17 And I think -- and this is a case where  
18 it's, to me, it seems very clear that there's a  
19 benefit to wait. And that was the decision that  
20 was made.

21 Q So, you have that kind of understanding in  
22 Massachusetts and Connecticut, given all the due  
23 diligence that you've conducted. But you don't  
24 have that understanding as to New Hampshire?

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 A (Morrisey) That is correct.

2 Q Okay. And then, at the very bottom of  
3 Exhibit 11, it says "Aquarion anticipates that  
4 the benefits explained above", that have to do  
5 with reduced borrowing costs and lower overhead,  
6 "will be available to Abenaki customers in its  
7 next rate case following the closing of the  
8 transaction."

9 Does the Company know when that next  
10 rate case will be?

11 A (Morrisey) We don't.

12 Q And, so, therefore, you aren't willing to commit  
13 to a date certain for the next rate case?

14 A (Morrisey) At this time, no.

15 Q And, so, the company, meaning Aquarion, is not  
16 guarantying that costs associated with the cost  
17 of debt and governance will be less than they are  
18 now?

19 A (Morrisey) Again, I don't like to use the words  
20 "guarantee" for anything. But we know that the  
21 cost of service will be lower the next time we  
22 come in, with these costs coming out of the  
23 business.

24 Q And, so, therefore, I assume you aren't willing

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 to promise that those costs, debt costs,  
2 governance costs, will be lower than whatever the  
3 ones that are proposed in the currently pending  
4 Abenaki rate case, or even equal to them?

5 A (Morrisey) Again, it's, you know, in any rate  
6 proceeding, it comes down to "what is the cost of  
7 providing service to a constituent of customers?"  
8 And that needs to be -- that needs to be  
9 evaluated based upon the record at that time.

10 I think, you know, what's going to  
11 happen between now and the next rate proceeding,  
12 I mean, there's a lot of capital that's going to  
13 be deployed, right? There's a lot of issues that  
14 are in-flight, that are trying to be resolved.  
15 So, there -- you know, as I look at this business  
16 there -- in the future, there will be some upward  
17 pressure on rates addressing some of these  
18 capital issues. So, it's going to be important  
19 for us to run as efficiently as we can, and to  
20 keep a close eye on trying to keep this as  
21 efficiently as we can, both in terms of how we're  
22 financing that capital, as well as how we're  
23 running the business.

24 Q Okay. Mr. Morrisey, I am on the home stretch



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 here. So, thank you for your patience.

2 Looking now at Exhibit Number 13. So,  
3 Exhibit 13 refers to 1.8 million -- \$1.845  
4 million in transaction costs. And I think I've  
5 read somewhere that New Hampshire could be  
6 responsible for something like "9 percent" of  
7 those transaction costs. Is that a fair  
8 statement of what percentage of those costs are  
9 allocable to New Hampshire, based on the customer  
10 base?

11 A (Morrisey) Yes. I think, on the bottom of the  
12 second page of our response to Exhibit 13, that's  
13 where you're getting the "9 percent", in that  
14 last paragraph. So, I think that's just probably  
15 tightening up the math that Mr. Vaughan was doing  
16 earlier, in terms of the number of Abenaki  
17 customers in relation to the total NESC  
18 customers. There may be some rounding there. I  
19 don't know. But we can --

20 Q Thank you.

21 A (Morrisey) -- we can certainly do the math.

22 Q And would you agree with me that, should any of  
23 that be recovered by New Hampshire customers,  
24 that would, all other things being equal, add to

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 the Company's revenue requirement?

2 A (Morrisey) Well, certainly, as part of this  
3 docket, we're not requesting any recovery of  
4 this, as we've said in the filing. And we're  
5 asking what we've requested in previous filings,  
6 most recently the 2017 Eversource merger with  
7 Aquarion Water Company of New Hampshire. So, to  
8 the extent that there are savings that can be  
9 demonstrated, that exceed the transaction costs,  
10 we would seek recovery for that. And, again,  
11 that would be, obviously, subject to approval of  
12 the Commission.

13 Q And, so, Mr. Morrisey, can you say with certainty  
14 that the rates that Abenaki customers will be  
15 paying the day after the merger will be equal to  
16 or lower than the rates that they're paying  
17 today?

18 A (Morrisey) There will be no change. And there  
19 will be, as a result of this merger, there will  
20 be no impact on the rates of an Abenaki customer.

21 Q Okay. But that wasn't my question.

22 A (Morrisey) Oh.

23 Q My question was, can you say, with certainty,  
24 that the rates that Abenaki's customers will be

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           paying the day after the merger will be equal to  
2           or lower than the rates they are paying today?

3   A       (Morrisey) I thought that was -- I didn't  
4           notice -- I didn't notice the distinction there.

5   Q       Well, the distinction is --

6   A       (Morrisey) The rates that are currently in place  
7           by Abenaki, as a result of this filing, we are  
8           not requesting a change in rates in any way. So,  
9           the rates that customers are paying today, the  
10          day before the merger and the day after the  
11          merger, they will be the same.

12   Q       So, I apologize, it sounds like maybe I'm asking  
13          you a trick question. But I'm just really trying  
14          to establish a pretty simple proposition.

15                 There's a merger transaction pending,  
16                 there's a rate case pending, and those two things  
17                 are both in play right now. So, given those two  
18                 things, can you say, with certainty, that the  
19                 rates Abenaki customers are paying today will be  
20                 equal to -- well, let me just -- let me rephrase.  
21                 Are the rates that the customers will pay on the  
22                 day after the transaction equal to or lower than  
23                 the rates that they are paying today?

24   A       (Morrisey) Again, I don't mean to be thick about

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           this, but rates are not going to change as a  
2           result of this transaction, full stop.

3                        To the extent that there is a separate  
4           docket before the Commission today, in terms of  
5           increasing -- for a rate increase related to this  
6           Abenaki business, to the extent that there is a  
7           rate increase authorized, then rates will be  
8           going up from what they are today. But that's  
9           going to be decided in that other docket.

10                      MR. KREIS: Okay. Madam Chairwoman, I  
11           believe that that is all the questions I have for  
12           the witnesses at this time.

13                      CHAIRWOMAN MARTIN: Okay. Thank you,  
14           Mr. Kreis.

15                      Ms. Burgess joined us. So, I'd like to  
16           just get her appearance on the record before we  
17           move on. Ms. Burgess, can you hear me?

18                      MS. BURGESS: Yes, I can.

19                      CHAIRWOMAN MARTIN: Can you just  
20           introduce yourself for the record please?

21                      MS. BURGESS: Sharon Burgess. I am a  
22           ratepayer of Abenaki, in Bow, New Hampshire, and  
23           registered as an intervenor in both of the two  
24           cases -- for both the dockets, rather.

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 CHAIRWOMAN MARTIN: Okay. Thank you.  
2 And do you plan to ask questions of the witnesses  
3 today?

4 MS. BURGESS: It could be that I have  
5 some towards the end. I don't have anything  
6 planned at this point. But my understanding was,  
7 if I do have some towards the end, that there is  
8 an opportunity for participants to talk.

9 CHAIRWOMAN MARTIN: Okay. Thank you.  
10 Mr. Mueller, are you planning to ask  
11 questions today?

12 MR. MUELLER: Yes, I am, Madam Chair.

13 CHAIRWOMAN MARTIN: Okay. And are you  
14 prepared to go now?

15 MR. MUELLER: Sure. Thank you.

16 CHAIRWOMAN MARTIN: All right. Why  
17 don't you go ahead.

18 MR. MUELLER: So, my questions are for  
19 Mr. Morrisey.

20 BY MR. MUELLER:

21 Q You just testified with Mr. Kreis that there  
22 would be no change in rates as a result of this  
23 transaction. And I'm as surprised as Mr. Kreis  
24 is, that I want to make sure I understand that

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           that means no premium or goodwill would be  
2           allocated to the rate base for this transaction,  
3           and no transaction costs will be allocated to  
4           rate base as a result of this transaction, such  
5           as legal fees, accounting fees, expert fees,  
6           engineering fees?

7   A       (Morrisey) So, you are -- so, yes, you're  
8           correct. That any acquisition premium related to  
9           this transaction will not be sought for recovery,  
10          will not be added to rate base. In the case --

11   Q       And that goes -- I'm sorry. I'm sorry.

12   A       (Morrisey) And, in the case of transaction costs,  
13          as just mentioned and discussed with Mr. Kreis,  
14          we will not be recording -- we're not -- rates  
15          are not going up as a result of that related to  
16          this transaction. And, to the extent that the  
17          Company can demonstrate some savings in the  
18          future, we can come back or the expectation or  
19          the request would be to come back before the  
20          Commission to seek recovery of some of those  
21          transaction costs, to the extent that we can  
22          demonstrate savings. And this is an approach  
23          that has been done, that the Commission is  
24          familiar with, it's one that the Company has

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1 exercised in the past before the Commission.

2 Q So, you could get reimbursement for transaction  
3 costs, if you can prove that there is an offset  
4 of other savings?

5 A (Morrisey) Yes. There's no guarantee. The onus  
6 is on us to demonstrate that, correct.

7 Q All right. And then, with respect to your  
8 earlier testimony and in Paragraph 14 of the  
9 Petition, you know, you quote or cite reductions  
10 in administrative costs, elimination of board  
11 costs, reduction in insurance costs. And, with  
12 respect to administrative costs, can you give  
13 some very specific quantified details of net  
14 savings? I know you mentioned anecdotal examples  
15 that, you know, Don Vaughan won't be paid  
16 anymore. But I would imagine that that could be  
17 replaced by allocations for your costs and your  
18 team.

19 So, could you cite some very specific  
20 quantifiable examples of net savings in  
21 administrative costs?

22 A (Morrisey) Well, I mean, I think we were trying  
23 to get as granular as we can with our response  
24 here and in the other interrogatories. I mean,

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1           you can't get more granular than saying "Hey, Don  
2           Vaughan is not going to be here and he's not  
3           going to be compensated anymore, and you're going  
4           to receive the benefit of what he had previously  
5           allocated to Abenaki." That's about the nth  
6           degree of how you can attribute it.

7                     And, in the other examples that we've  
8           cited here, in terms of board of directors' fees,  
9           again, those fees are not -- they will not be  
10          supplanted and replaced with a board fee from,  
11          you know, the Abenaki Board of Directors. Those  
12          directors will not be compensated. Those will  
13          not become part of -- and we're not going to be  
14          seeking reimbursement there. So, that's going to  
15          be savings.

16                    And, in the case of insurance costs,  
17          again, this is a case where we're very confident  
18          with respect to those savings.

19                    So, we did try to get as granular as we  
20          could, as we described here.

21    Q            I would imagine, however, then that those  
22                  specific examples, such as Don, could be replaced  
23                  by allocations of costs, such as yourself and  
24                  your team, and for the board that you cite as



[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 well, that it could be replaced by charges by the  
2 board for Eversource or Aquarion?

3 A (Morrisey) I mean, it could, it's not going to be  
4 the intent. I mean, and again, I mentioned  
5 earlier, you know, the acquisitions that we've  
6 done in the past, the goal here, and you have my  
7 assurance in how we operate the business, we are  
8 trying -- we recognize that there are rate  
9 issues. There are upward pressures, in terms of  
10 the rates, on Abenaki customers. That's an  
11 issue. And there's operational issues that are  
12 going to require a lot of investment, and that  
13 needs to be dealt with. That's going to put --  
14 continue to put pressure on those rates. Those  
15 are real.

16 What we need to do, "we", the  
17 collective "we" here is Aquarion, we need to make  
18 sure that we're running this business, this  
19 Abenaki business, as efficiently as possible.  
20 So, we do not want to saddle any more costs to  
21 you other than the costs of providing service to  
22 those Abenaki customers. That is what's fair to  
23 the Abenaki customers. That's what's fair to our  
24 customers in Massachusetts, and in Connecticut,

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1 and also in Aquarion Water Company of New  
2 Hampshire. We want to make sure that we do it  
3 right. And it is a business that is huge amount  
4 of economies of scale across the business. High  
5 fixed cost business, relatively low variable cost  
6 business. That is the nature of the business  
7 that we're in. And, so, we will be -- we will  
8 ensure that we are being prudent as we manage  
9 this business going forward.

10 Q And you mentioned the operational issues. I'm  
11 sure you're aware that the New Hampshire DES has  
12 issued a letter of significant deficiencies with  
13 respect to the Abenaki/Rosebrook system?

14 A (Morrisey) Yes.

15 Q And two of those issues relate to water pressure  
16 and chemical containment. Can you commit here  
17 today as to what your plan would be, as to what  
18 you would do and when you would remediate those  
19 issues?

20 A (Morrisey) I think what I'm -- you know, in terms  
21 of the technical strategy and the approaches that  
22 we're doing to that solution, I know Don is  
23 closest to that, and Don and our team have been  
24 working closely in terms of ensuring that the

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 best solution is taken.

2 So, you know, unfortunately, I'm not in  
3 the position to make a commitment one way or  
4 another, other than we endeavor to address this  
5 issue as quickly as we can with all the parties  
6 that are involved, including the DES.

7 Don Vaughan, I'm not sure, in terms of  
8 timeline and approach and developments over --  
9 because I know that this continues to be a fluid  
10 area, I don't know if you wanted to add anything?

11 A (Vaughan) Yes, Don. We've been having ongoing  
12 meetings with DES. We have engaged Horizons  
13 Engineering, I think Mr. Mueller is aware. We've  
14 incorporated you call [sic] in the meetings. The  
15 issue is very complex. And the interests of all  
16 the parties are very complex, and they can be  
17 diverse.

18 In any event, we have a meeting  
19 scheduled, I hope, with Omni early this week, to  
20 determine their, you know, their suggested  
21 outcomes. We are working, as I said, with DES.  
22 We're under mandate, as you've made mention,  
23 relative to the significant deficiencies. So, we  
24 are proceeding as quickly as we can and in

[WITNESS PANEL: Morrisey|Szabo|Vaughan|Gallo]

1 compliance with DES.

2 So, the project is moving forward. The  
3 project, if it does experience delays, it is only  
4 because we're trying to develop that consensus.

5 MR. MUELLER: Okay. Thank you, Madam  
6 Chair. Those are all the questions that I have.

7 CHAIRWOMAN MARTIN: Okay. Thank you,  
8 Mr. Mueller.

9 It is noon now. So, why don't we take  
10 the lunch break at this point. Just one minute,  
11 while I consult with the Commissioner.

12 *(Chairwoman Martin conferring with*  
13 *Commissioner Goldner.)*

14 CHAIRWOMAN MARTIN: Okay. We will  
15 return after the lunch recess at 12:45. All  
16 right. We're on break. Thank you.

17 (Whereupon the **Morning Session** of **Day 1**  
18 adjourned at 11:59 a.m. The **Afternoon**  
19 **Session** of **Day 1** is contained under  
20 separate cover and identified as  
21 "**Day 1 - Afternoon Session ONLY**".)

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