

Advisory Committee – Water Company Acquisition Subcommittee –

Meeting Minutes

Date: March 6, 2019

Place: Town Hall

In attendance: Subcommittee Members Dave Anderson, Victor Baltera, Bob Curley, Libby Claypoole, Eryn Kelley

Subcommittee Chair Baltera called the meeting to order at 7:32 pm.

Discussion of warrant articles MM, NN, OO, and PP relating to possible acquisition of water company

Also present:

Board of Selectmen: Mary Power, Karen Johnson

Tom Mayo, Town Administrator; Michelle Monsegur, Assistant Town Administrator; JohnCoughlin and Susan Murphy, Town Counsel

Mr. Baltera gave an overview of the questions before the committee in considering whether the Town should purchase the water system.

Mr. Anderson presented his financial analysis in which he tried to drill down on the assumptions that differed between the Town's financial model of Town ownership and Aquarion's financial model of Town ownership. He created four scenarios that started from the Aquarion model and each added back assumptions identified in the Town model. All scenarios resulted in ratepayer savings under Town ownership.

Ms. Claypoole asked about the correct property tax numbers for Aquarion. Ed. Siegfried answered citing a document from the DPU rate case.

Ms. Claypoole inquired about the projected budget surplus in year 1. Ms. Power noted that keeping rates the same in year 1 will result in a revenue surplus of about \$4.8 million, which will remain in the enterprise fund and will only be used for the water system. This increases the Town's flexibility. The Town also intends

to engage in two important studies in year 1 to inform future operations: a capital study to update an earlier Aquarion study and a cost of service study to inform future rates. Jim Taylor commented that municipal bonds today get a better rate than is reflected in the model. In addition, he noted that a 3% inflation rate for expenses is more appropriate than the 2.2% rate used by Aquarion, noting that current Aquarion contracts have a 3% increase built in for labor/unions.

Mr. Anderson stated that Aquarion's request to have a 3% MRAM surcharge instead of a 2% surcharge means the same capital expenditures would take place but Aquarion's recovery of those expenses would be quicker. John Walsh, Vice President of Operations for Aquarion, confirmed. Ms. Power noted that under Town ownership, the Town would not need an MRAM surcharge to make necessary capital improvements, so ratepayers won't see it in their bills.

Mr. Baltera asked about general obligation bonds and conversations with the Town's financial advisors in which they advised that this purchase would not adversely impact the Town's credit rating. Ms. Claypoole and Mr. Anderson confirmed that the Town's financial advisors are recommending general obligations as the appropriate approach for this purchase. Rick Pedone, counsel for Aquarion, stated that the Town should not rely on the "summary" opinion provided by the Town's bond counsel about the Town's ability to issue general obligation bonds to acquire assets in another community.

In explaining her research on other communities with water systems of a similar size, Ms. Kelley noted that it's quite common for towns to have the Board of Selectmen or Mayor/City Council serve as water commissioners. It is less common for towns to have outsourced operations and maintenance vendors. Mr. Curley commented that after the transition period, down the road there may be synergy in having all municipal employees running the water system. At this time, the Board of Selectmen as Water Commissioners makes the most sense due to time constraints. In the future, the Town could consider having separate elected officials, but not many other towns are doing that.

Mr. Baltera presented the idea of having the Moderator appoint a committee to look at whether the Board of Selectmen should remain the Water Commissioners

in a year or two. Mr. Curley did not see this as a priority since elected water commissioners are not prevalent. Attorney Coughlin clarified that

in this case the Board of Selectmen would become the Water Commissioners by default and that a Town

Meeting vote would be needed to have elected water commissioners.

Mr. Pedone commented that he did not believe that the Hingham Board of Selectmen could legally run a system outside of Hingham and urged the Town to seek an additional legal opinion. Attorney Coughlin stated that the Town does not take advice from Aquarion's legal counsel and that Town Counsel is comfortable moving forward.

Polly Rowe from Hull stated that having the Hingham Board of Selectmen as Water Commissioners presents a conflict of interest regarding economic development. She requested an inter-municipal agreement to protect customers.

Ms. Kelley stated that an intermunicipal agreement between the three communities is not necessarily needed, but that some sort of agreement would be helpful.

Ms. Rowe stated that she is very concerned about this acquisition and wants the Sub-Committee to vote against the warrant articles. Hull officials and residents have not been informed about this issue.

Mr. Mayo noted that ownership of this water system has changed three times in nearly the last decade. Right now, the Towns of Hingham, Hull, and Cohasset have no say over capital improvements. Those three Town also don't have any sort of agreement with Aquarion right now. Phil Lemnios, Town Manager of Hull, has conveyed to Mr. Mayo that the Hull Board of Selectmen feel fully informed about these proceedings. The Hingham and Hull Boards of Selectmen will hold a joint meeting on March 21 in Hull about the water system acquisition.

Mr. Walsh stated that the contract between Aquarion and its customers is Aquarion's rules and regulations.

Mr. Baltera asked about environmental concerns under Town versus private ownership. Attorney Murphy stated that Hingham taxpayers have spent \$9 million in Community Preservation Act funds since the CPA was adopted less than 15 years ago to acquire over 130 acres of land to protect the water supply, which helps all of Service Area A. In the last 30 years, there have been no land acquisitions by any of the water companies for water supply protection.

Mr. Curley gave an overview of the water enterprise fund, noting that the Town Administrator submitted the water enterprise fund budget to the Board of Selectmen on February 26, 2019.

The Subcommittee meeting was attended by Jon Asher , Ed Siegfried and Josh Krumholz of the Water Company Acquisition Study Committee. Selectman Mary Power and Karen Johnson, Town Administrator Tom Mayo and Assistant Town Administrator Michelle Monsegur also attended in order to respond to questions from Subcommittee members. The discussion addressed the hiring by the Town of a qualified full-time Water Superintendent and a contract for the operation and maintenance of the water supply system. The differences in the DPU rate setting process and the rate setting process to be followed by the Town were addressed. Capital investment and the need for close coordination with road construction were addressed. Bob Gollege has been hired to provide guidance for the transition process. John Walsh, Aquarion's Vice -President of Operations and Steve Olson, Aquarion's Director of MA Operations attended to address questions. The meeting was televised and may be seen in its entirety on Harbor Media.

Members of the public were invited to present questions or comments.

Adjourn – 10:31 pm

Respectfully submitted,

Bob Curley, Secretary

Documents Distributed

Agenda

Preliminary Draft Article NN and OO

Draft Sensitivity Analysis

Real Estate tax data sheet

Draft Water Company Financial Analysis[

BlumShapiro letter of 2/25/19

AdCom Subcommittee approved on 4/23 /2019