

## Water Company Acquisition Study Committee

The objective of this report, approved in public session by the Water Company Acquisition Study Committee, is to update Town citizens regarding the progress of the Committee's study during 2013. The study was authorized by Town Meeting 2012 to investigate the feasibility and advisability of the Town acquiring its water company in accordance with the 1879 statute which formed the company. Throughout the study, the Committee has acted in accordance with the *Principles of Operation* adopted at its first meeting, that it would "conduct and supervise the study in a fair and open-minded fashion with no predisposition towards any particular outcome or result." In that spirit of openness, the Committee has made many documents, analyses, updates, and reports and all agendas and public-session minutes from its thirteen meetings held through 2013 available to the public on the Town website.

During the latter half of 2012, the study focused primarily on a financial analysis of the costs associated with municipal ownership of the water company—identifying costs which could be eliminated from and costs that should be added to the existing cost structure of the water company's current private owner, the Aquarion Water Company of Massachusetts, Inc. The financial analysis concluded that upwards of \$4,000,000 in annual costs could be eliminated with a municipal owner.

From late 2012 through June, 2013, the study's financial analysis examined the appropriate purchase price of the water company's property, rights, and privileges. The Town's preliminary analysis of the purchase price pursuant to the 1879 statute was approximately \$56,000,000 to \$60,000,000. Based on analysis by Town volunteers, a water-utility expert, and a nationally-recognized financial valuation firm, the Town currently believes the ultimate purchase price should be in the range of \$40,000,000 to \$70,000,000. Using those numbers, even after providing for the purchase, increasing capital improvements and reimbursement to the Town of all funds expended, there remains a cost elimination of \$2,000,000 to \$3,800,000 per year. Aquarion's July, 2012, report to the Town had presented a purchase price of approximately \$184,500,000, but Aquarion officials continued to maintain that the company was not for sale.

The Committee also examined engineering and governance considerations associated with municipal ownership. Discussions with the nationally-recognized engineering firm which operates the Cohasset Water Department under contract enabled an in-depth understanding of

the costs and benefits of that approach. No engineering 'show-stoppers' were identified. Likewise, several discussions with town officials from Hull and Cohasset revealed no show-stoppers relating to governance.

Having identified no show-stoppers in its roughly thirteen-month study of finances, engineering, and governance, the Committee evaluated the overall feasibility and advisability of the Town proceeding further with the study. On June 25, 2013 the Committee unanimously voted to recommend that the Board of Selectmen take the steps necessary to begin a potential acquisition of the water company. On June 27, 2013, the Board of Selectmen unanimously voted to accept the Committee's recommendation.

The Committee members have continued to provide assistance since the Town's filing of a Complaint on July 3, 2013, which is now before the Suffolk County Superior Court Business Litigation Session for declaration of the purchase price and the right to purchase the water treatment plant under the 1879 statute. Ultimately, Town Meeting would have to approve any purchase.

Jonathan R. Asher, Chair  
Joshua C. Krumholz, Secretary  
Joseph L. Bierwirth  
Michael A. Salerno  
Edward R. Siegfried