Board of Selectmen
Public Information Meeting
Water Company Acquisition

March 9, 2019
Background on our Water Company

• Incorporated in 1879 by a group of Hingham residents

• Founding statute gives Hingham citizens the right to purchase the water company at any time
  – Essential municipal service

• Privately-owned since incorporation
Reasons Hingham initiated feasibility study in 2012

• 5th highest water rates in the state
• “Break/fix” water main strategy
• Lack of coordination with Town roadbuilding program
• Ownership changes after decades of stability
• Concern that a private owner’s first responsibility is to its shareholders and not ratepayers
• No control over decisions related to management and maintenance of water system
What We Learned

• 96% of MA water systems are run by public agencies

• We are the only privately-owned water system of our size in MA
What We Learned

• Water companies are profitable
  – The DPU sets rates that allow privately-owned utilities to earn a profit
  – Aquarion most recent DPU rate case authorizes a 10.5% annual return

• Whether private or public, all costs of running a water company are paid by water customers (ratepayers)

• Municipal ownership eliminates some costs that don’t affect water service; federal and state taxes, profit, rate filing costs

• Municipal owned water companies are generally funded through an Enterprise Fund – no direct impact on taxes
What We Learned

- Municipal entities may have higher wage costs due to prevailing wages
  - Impact unclear and likely not material

- Municipal entities have lower borrowing costs
  - Hingham Aaa vs. Aquarion Baa2 ~ 2.5% difference in interest rates

- Municipal ownership costs are highest in the first 30 years of ownership
  - Paying principal + interest on acquisition debt

- Municipal ownership costs are significantly reduced when the acquisition debt is retired ("mortgage paid off")
What We Learned

• Our water system hasn’t been sufficiently maintained
  – Aquarion has replaced less than 1/3 of what its own capital study recommends for aging water mains

• Our roadbuilding program has been compromised by emergency street openings for water main repairs
What We Learned

• The purchase price as of 4/22/19 is approximately $108 million

• Based on the statute and the court ruling, the purchase price increases by $3 - $4 million each year

$250 million
What We Learned

• Financial savings to ratepayers from Town ownership ~ $1.5 million per year over 30 years
  – Including purchase cost

• After 30 years, annual ratepayer savings ~ $7.4 million per year
  – “Mortgage is paid off”

Savings mean lower and slower rate increases; more money available for capital investment
What We Learned

• Your taxes won’t go up as a result of buying the water company
  – Revenues collected will pay all the operating costs including the debt service on the acquisition debt

• Purchasing the water company won’t compete with projects such as Foster School
  – Debt for water company does not “count” against debt limit
What We Learned

- The role of the Department of Environmental Protection (DEP) in controlling water supply and regulating water quality does not change

- The DEP assists communities who purchase their water system

- Aquarion has a legal “good husbandry” obligation to provide service until the acquisition is completed.

  - Same plant
  - Same operating standards
  - Same quality requirements and monitoring
What We’ve Learned

- Aquarion has spent over $2.7 million in acquisition-related public relations from 2013 - May 2018

  “Rewrite website content in shift to campaign website from informational website”

  “Worked with the Hingham Journal to kill a story they planned on writing about the sale of MacQuarie”

  “Calls to seniors to encourage turnout to 11/15 Selectmen meeting”...“Calls to identify individuals to send emails to Board of Selectmen”

  “Political analysis of Advisory Committee”

* Source: DPU File Room. Excludes expenses identified to be related to rate case, Oxford, Millbury
What We’ve Learned

- Aquarion has spent over $2.7 million in acquisition-related public relations between 2013 and May 2018

“Advisory Committee grassroots advocacy”
“Manage phone bank for Advisory Committee”
“Outreach calls to Hingham allies re: Ad Comm meeting”
“Research: Foster School funding re: infrastructure story...Hingham capital infrastructure needs”

“Draft outline for campaign plan presentation to Eversource”
“HMLP opposition research”

Draft memo on takeover warrant article approval process for J. Hunt (Eversource Senior Vice President for Regulatory Affairs and Chief Communications Officer)

* Source: DPU File Room. Excludes expenses identified to be related to rate case, Oxford, Millbury
Preparing for Transition

- Met with DEP and other communities which recently purchased their water system
- Engaged former DEP Commissioner to assist Town with transition
- Created Water Superintendent job description
- Requested roll forward of purchase price from Aquarion to 4/22/19
- Coordinated financial transaction with Town Financial Advisors, Town Bond Counsel, and Town Finance team
Transition

- If Town Meeting votes “yes” on 4/22:
  - Issue Request for Proposal for water system operator
  - Hire Water Superintendent
  - Prepare documents for bond issuance
  - Establish Transition Committee and Citizen Advisory Board

- Aquarion will continue to operate the water system under its legal “good husbandry” obligation

- Town will work with the DEP to complete regulatory transition
A Few Words About Water Commissioners

- Hingham is one of 41 cities and towns in MA with a medium-sized water system (~ 13,000 connections)

- **Every municipality** in this cohort except Hingham runs its water as a department of the municipality (or in 2 cases by the employees of the district)

- 38 cities/towns in this group except **Hingham** govern the water system through the Executive Branch of government – Mayor or Board of Selectmen (2 water districts elect Commissioners)

- Who are these municipalities? Places like Agawam, Attleboro, Chicopee, Falmouth, Gloucester, Lexington, Needham, Plymouth, Tewsbury, and Weymouth

- Hingham will have two levels of technical expertise in water operations – a licensed Superintendent and a licensed operating company
Warrant Articles

• MM:
  – Approve the purchase of the water company (requires 2/3 majority)

• NN:
  – Authorize the Board of Selectmen to act as water commissioners (requires majority)

• OO:
  – Establish water system Enterprise Fund and budget (requires majority)

• PP:
  – Authorize transition costs (requires majority)
Information Resources

- Hingham-ma.gov: Quick Link to Water Acquisition Documents
  - Presentations
  - Q&A documents
  - Feasibility study documents

- Town Government meetings on Harbor Media
We Can Do Better

- Manage the business with greater transparency
- Fix the mains faster than Aquarion
- Reduce the amount and frequency of rate increases
- Improve coordination with Town Departments
- Ratepayers are first, and only, priority

"...the town has introduced electric lighting for the benefit of its citizens, and neither to make money at their expense nor to furnish light at less than cost ..."

-Hingham Municipal Light Board, 1895.

We are happy to answer your questions