

AET - Frequently Asked Questions.

At the request of the Board of Selectmen, the AET (Asset Evaluation Team) has completed four public information sessions for residents regarding the recommendation to accept Aquarion Water Companies (AWC) \$8,000,000 offer to acquire the Town of New Hartford's water and sewer systems. During the presentation process, AET members fielded many questions from the public. The information included below consists of a general representation of "Frequently Asked Questions" heard at the public presentations – and the Committees responses. It should be noted that the Committee has published many pages of information on the town website regarding the process the AET followed and the information learned during this time. Two of the meetings were "in person" meetings and two of the meetings were "virtual". Recordings of the virtual meetings are available for review on the Town's website. Should anyone have additional questions, the AET will do their best to provide as much information as possible. The questions (in no particular order) are:

How was the purchase price established? The town completed a public request for proposals (RFP). The RFP was posted and advertised. Initially, several companies expressed interest in the systems. Ultimately, three companies submitted bids with AWC's bid of \$8,000,000 being the highest (the second highest was \$6,500,000).

How much of the purchase price was attributed to the water and how much was for the sewer? No specific allocations were made within the bid, just a total of \$8,000,000 for the entire water and sewer systems in the Town of New Hartford.

What real estate/properties are we selling? The two well houses, the wet well at the intersection of Route 44 and 219, and the Waste Water Treatment Plant (WWTP) which includes two parcels. We are not selling a "reservoir", a common misconception. All land associated with underground pipes will be transferred as "easements." A detailed description of the water and sewer systems is included on the town's website.

What happens to our "water rights" if we sell? The Town technically doesn't own or have "water rights." All public water is held in a "public trust" by the State of CT. This state's jurisdiction does not end if the Town chooses to sell our assets to AWC. AWC will be subject to the same permit requirement/limits that presently exist for New Hartford.

How was the distribution of proceeds established? The AET developed the plan over several months – with the goal of protecting the drinking water supplies and lowering rates for users as their highest priorities. For a detailed explanation of how the funds will be used, please review the materials on the town website (Section A5).

How was it decided that the town would expand into Pine Meadow (and not Cottage Street or some other location)? Protecting the water sources (the two drinking water wells) was considered to be a high priority by the AET. Both wells are in violation of Department of Public

Health (DPH) regulations as several septic systems are in close proximity to these drinking water sources (less than 200 feet). The concern for potential contamination of our drinking water wells lead to the decision to make installing sewers in this area a high priority for the town. It should be noted, that during the planning for the upgrade for the WWTP, six areas in town were selected for future expansion of sewers. Pine Meadow (the area surrounding New Hartford Elementary School including Church Street and Route 44) was one of the six original areas due to the location of the wells (and the aquifer). The other areas are: Cottage Street, the Industrial Park, Greenwoods Road, Route 44 and Highland Avenue/Johnnycake Lane). A copy of the pre-engineered design plan illustrating the location of the proposed lines and homes to be connected is included on the town website (Section G3 – page 24 – Option P2).

What happens if the “bids” to build the new sewer line in Pine Meadow costs more than the money set aside for this project? The AET has had engineers update the cost estimates twice during the review process. Should the bid costs be higher than the funds allocated toward the expansion, the Town will have to re-evaluate how many units the Town can connect with the funds available for the project. Please note that the “town” cannot spend in excess of the amount approved at referendum.

How are my rates going to be reduced? (both water and sewer) Once the sale is approved by PURA, the Town will implement a town-sponsored “subsidy” for users (taken from a portion of the proceeds from the sale – not tax dollars) to reduce both water and sewer rates. Over time, the town water rates will merge with AWC’s Eastern Division rates (which are lower than the Town’s current rates). Sewer rates will also be reduced by subsidy and then reduced again, over time, once the expansion is completed (due to increased revenue generated from newly connected dwellings).

What will the **water** rates be after the sale? Rates will ultimately be set by the CT Public Utilities Regulatory Authority (PURA), but the town is estimating that water rates after the sale will be reduced by the subsidy to \$6.50 per 1,000 gallons (down from the current rate of \$8.08 per 1,000 gallons) plus a similar fixed quarterly service charge (as is current practice).

What will the **sewer** rates be after the sale? Rates will ultimately be set by PURA, the town estimates that the sewer rates after the sale will be reduced by the subsidy to \$17.00 per 1,000 gallons (down from the current rate of \$20.89 per 1,000 gallons) plus a similar fixed quarterly service charge (as is current practice).

Will home owners in Pine Meadow have to pay a “connection fee”? There will be no “connection fee” paid to the Town for gaining “access” to the sewer line. However, homeowners will be responsible for paying costs associated with constructing laterals to connect their house to the sewer main.

What exactly does “connection assistance mean”? (How will these funds be allocated?) The AET has proposed using a portion of the sale proceeds to help homeowner’s off-set the cost of installing a lateral pipe to connect their house to the sewer main. The funds will be divided evenly

between all qualifying families to defray construction costs. The AET has recommended making this a “limited time offer.”

Will residents be forced to hook up when the sewer lines come in? Yes, residents within the sewer district will be “required” to connect to sewer lines.

Will there be a time period for connection assistance? The AET has discussed several different scenarios. No specific time requirement has been decided at this point, but a six month period would appear to be a reasonable estimate of time.

What happens if AWC wants to sell the town’s assets to another company after the sale is complete? While this is highly unlikely, should AWC choose to sell the Town’s assets to another company, they would have to go through the State’s regulatory process all over again and town residents would be able to participate in the process and express their views.

What are the properties assessed for? The five parcels (real estate) are currently assessed for roughly \$1,748,940. The largest portion of the assessment (\$1,431,080) is attributed to the WWTP.

How much will AWC pay in taxes after the sale? The amount of municipal real estate and personal property taxes that AWC will pay to the Town has not yet been finalized. The AET has inquired to Town Counsel about the legality of creating a “Memorandum of Agreement” with AWC that would dictate how much taxes would be paid to the town over a period of years. The value of the assets and existing assessments are ultimately vetted by PURA. Taxes are a component of the cost of running a private utility and will be reflected in user rates. We hope to establish a reasonable compromise on taxes so that user rates can be lowered as quickly as possible without suffering the negative consequences of high taxation.

Why does AWC want to buy this system when it’s in such bad shape? Since it’s inappropriate for town officials to speak for AWC, we posed this question to AWC. Their response was: “AWC is a public service company and the largest private water operator in New England. Aquarion has been running the New Hartford waste water system since 2017 and has been consistently able to lower operating costs. Acquiring New Hartford’s system is consistent with AWC’s long term growth strategy and is an ideal public-private-partnership providing a high quality service at a reasonable cost with more scale and innovation than the municipality can provide.”

Who will be responsible for extending lines in the future (both water and/or sewer)? AWC (or any other public water company) cannot extend water and/or sewer lines for the purposes of “growth.” This is typically done by private developers or a municipality itself. If a new subdivision is planned within a town, the developer would be responsible for the construction of new lines and any other costs that go along with it (based on the subdivision approvals granted by the Planning & Zoning Commission). Should the town desire to expand service to a new area, then the town would have to acquire all municipal approvals (both land use and financial). Ultimately, residents would have to vote to approve a proposed expansion for it to go forward.

Has the town considered keeping the water and sewer assets and just raising taxes to pay for it? Yes, this has been given serious consideration over a period of several years. However, given the increasing state regulations and technical knowledge required to maintain efficient operations, we (the AET) have come to the conclusion that seeking a professional partner with the knowledge and experience to operate these systems would be in the best interest of the entire town (but most importantly to the users on the system who pay very high rates). AWC's 2020 capital investment budget is \$126,000,000 in Connecticut alone, while the Town's capital budget has averaged a total of just \$365,600 over the past five years (not including education). The "economy of scale" AWC has (with nearly 200,000 current customers) puts them in a far better financial position to provide the services at a more reasonable cost to ratepayers.

It would be difficult to believe that the townspeople, many of whom are not connected to the system, would pay millions of taxpayer dollars to install water and/or sewer lines in areas of town that would not result in a connection (or service) to their homes. However, the plan to use the proceeds of sale gained from AWC in this transaction could extend the sewer lines, protect the public drinking water supply, and help connect these homes at the lowest possible price without issuing bonds and raising taxes on all New Hartford families; saving the town millions of dollars.

Please note, years ago when the WWTP was being proposed for expansion, residents within the sewer district were told that they would eventually have to connect; but there was no provision for how these future sewer lines were to be paid for. There was also no financial assistance plan that would help residents connect. The AET has spent several years working to develop a plan that will help residents with two major priorities: 1) protecting the public drinking water supply and 2) lowering user rates for homeowners' as soon as possible. This proposal to sell the assets and utilize the proceeds as recommended achieves both goals.

Will there be a WPCA after the sale? Yes, there will be a WPCA (Water Pollution Control Authority) after the sale.

What will be the role of the WPCA be after a sale? The WPCA will act as an "ombudsman" for local homeowners regarding issues related to the water and sewer systems. Additionally, the WPCA will interface with developers or the town when requests are generated to extend the existing system. The WPCA will also execute "orders to connect" per existing state statutes pertaining to sewer connections.