OCC Meeting

New Britain June 25, 2019 (Dan Jerram - First Selectman, Mike Crawford - (AWC), Bud Butler - WPCA, Deb Szebo - (AWC), Rich Sobolewski - OCC)

Observations: (In no particular order of importance)

(1) The model for the New Hartford sale of assets is unique. There are very few sales from municipalities to investor own companies. (Rich’s opinion is that they may have only been to AWC.) Mike - perhaps AWC can put together a fact sheet of things that you’ve encountered so that we can make sure our preparation is complete.)

(2) PURA will be evaluating the $8 million asset sale offer based on historical costs and the projected depreciated book value of the assets. OCC believes that PURA will require the costs between water and wastewater assets to be segregated and suggested that AWC and the Town should put forward their best estimate even though these historical costs have not been well documented. Do not leave the asset determination to PURA.

(3) Rich’s opinion: Setting rates based upon an $8M purchase price would likely result in higher rates than we currently bill if it weren't for reinvestment in the system. This is an integral part of the disposition of funds to counter this.

(4) DEEP should be considered a “wildcard” given they have the same status as OCC and they have been attending every new docket application process since becoming the overseer of PURA. (Dan and Bud should consider a meeting with George Hicks near term to test the waters - “what does DEEP think about this deal?”)

(5) Make the terms of our proposal crystal clear with (a) History of the systems (b) Aquifer Protection (c) Town subsidization of water & sewer rates (d) Be suggestive of the time when a rate reopener may be undertaken by PURA to attest to adjustments (downward) based upon Pine Meadow sewer system and keeping AWC within their rate of return.

(6) Must do our best to isolate cost structure specific to water and sewer. Water is in the general customer “pool” of AWC ratepayers and
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sewer is a one-of-a-kind, stand-alone system that is going to garner scrutiny. Fish in a bowl

(7) OCC’s Charter is to look out for the consumer of regulated utilities. However, this will not stop them from reflecting on our initiative for good/bad issues. Key - give them nothing but good issues to focus on. (Rich clearly favors the business approach we’ve taken and would be looking for ways to support us - not take us down.

(8) Following the town wide referendum, but before the sale is officially consummated; PURA will come to New Hartford and conduct a public evidentiary hearing. (Based upon AWC/OCC experience, this is when there will be the most diverse of opinions and observations that come out.)

(9) For people who think this is a “big payday” for AWC, they, like all other regulated utilities are monitored annually for their ROR and are called to task within a two week cycle of the annual report to appear before PURA with plans for lowered rates when their ROR is exceeded. (ROR for water is determined on a statewide basis.)

(10) OCC holds the “opinion” that if the Town elects to use a portion of the proceeds of this sale to subsidize water and wastewater users that the mechanics can be worked out to credit customers via an escrow account and that it can be shown on a AWC bill and netted to reflect the subsidy to the customer.