

USE Of Proceeds - Action Plan – Asset Sale Approval

Should New Hartford voters approve the sewer & water asset sale at Referendum, the decision will still require regulatory approvals of governing agencies such as Department of Energy & Environmental Protection (DEEP), CT Department of Public Health (DPH) and the Public Utility Regulatory Authority (PURA). New Hartford and Aquarion Water Company (AWC) will then formally execute a series of documents that will finalize the sale of assets.

The approval process may take from 6-12 months following local boards, commissions and voter approval. NO action items of the AET “Plan” as stated below can commence without the completion of the approval process as referenced above.

Commensurate with the approvals, The AET proposes execution of the Plan elements as reference below.

1.) The Town, using the proceeds of the sale will pay-off all outstanding principal and any interest due on loans for water and sewer indebtedness carried by the United States Department of Agriculture, Rural Development (USDA-RD) (\$3,667,262) and debt to the Town of New Hartford, currently at (\$61,750). As of January 1, 2020, the balance due for all outstanding debt totals *(\$3,729,041)

** The USDA-RD and the Town of New Hartford are the exclusive debt holders of record. The outstanding loan balances are ever changing as payments come due. The current amounts are as of 1-1-20.*

This leaves an expendable balance in the favor of New Hartford in the amount of \$4,270,990.

Ton December 5, 2019, the USDA formally forgave the outstanding Grant balance for the wastewater treatment facility (WWTF) constructed by the Town in 2009-10.

(2) Allocate all remaining proceeds, including any interest earned from sale proceeds and apply to the following:

a.) Design/Engineer and construction costs, which includes contingency funding, for the Pine Meadow sewer expansion was estimated via the parameters of the 2016 Report of CDM-Smith. [See Note Below]. These costs are estimated at (\$3,500,000). (The current estimate reflects a review and update by consulting Engineers, CDM-Smith on April 12, 2019.)

Footnote: Why Sewer Pine Meadow? – For public health and safety reasons. It is necessary to protect the Town’s aquifer and the Wild & Scenic West Branch of the Farmington River from potential pollution. Property density and lot sizes would preclude the establishment of Pine Meadow as a development, without sewers, if it were constructed today under Department of Public Health (DPH) guidelines.

(b.) Apply a “water subsidy” of (\$1.58 per thousand gallons, PTG), allocating an estimated \$210,095 over five (5) years to stabilize water rates.

(c.) Apply a “sewer subsidy” of (\$3.89 per thousand gallons, PTG), allocating an estimated \$312,985 over five (5) years to stabilize sewer rates.

(d.) Designate an estimated \$247,905 to support a connection assistance fund to aid in the installation of (106) new Pine Meadow connections. Average contribution toward a connection is estimated at \$2,340. (This is only an estimate.)

Note: All (4) amounts adjusted to the nearest \$5.00 rounding element. Any change in the estimated construction bid costs may affect a change in the available funds for these initiatives.

(e.) The AET proposes no charge of a benefit assessment or connection fee to all new connections on the Pine Meadow sewer system, and those properties currently adjacent to an existing sewer main (estimated at ± (30) properties, anywhere on the system who have not yet connected to the sewer. (This is an incentive designed as a “one time offer” to be executed upon approval of the sale of water and sewer assets. Any future project(s) may have differing terms and conditions that may apply.)

(f.) Based upon PURA rendered decisions, the AET projects that existing water and sewer rates will remain in effect at their current levels until a rate plan is formalized via a PURA review. Accordingly, the AET’s recommendation to provide rate stabilization from the proceeds of the sale of assets. With PURA approved application of AWC Eastern Division water rates and a “surcharge” that will equal the difference between the AWC Eastern Division rates and the current rates of the WPCA, rates will be frozen. This is done to prevent existing legacy customers of AWC from “subsidizing” New Hartford rates. Traditionally, once economies of scale and capital improvements are implemented to bring New Hartford’s assets into line with AWC, the water sur-charge would be eliminated, and rates adjusted to the then current level of the AWC Eastern Division.

g. Unlike water, AWC does not have a legacy sewer customer base from which to establish specific sewer rates. Accordingly, savings from operations and any additional revenue derived from the extension of the sewer system to Pine Meadow would be used to stabilize rates and over time would reduce sewer user rates. Revenues exceeding actual Operating & Maintenance costs and the allowed rate of return that PURA grants to AWC, would mean that any over payment would be monitored by PURA and would result in decreased user rates.

In the interim period before construction of the expanded sewer lines to Pine Meadow, proposed “subsidies from sale proceeds” would provide rate reduction and stabilization to existing water and sewer users.