

STATE OF CONNECTICUT  
DEPARTMENT OF ENERGY AND  
ENVIRONMENTAL PROTECTION  
PUBLIC UTILITIES REGULATORY AUTHORITY

New Hartford Water Pollution Control Authority and  
Aquarion Water Company of Connecticut to Present  
Information Regarding Aquarion's Proposed Acquisition  
of Certain New Hartford Water Facilities and to Discuss  
Any Procedural Filing Requirements for an Upcoming  
Application That May Be Filed with the Authority and  
the Department of Public Health

Technical Hearing held at the Public  
Utilities Regulatory Authority, 10 Franklin Square, New  
Britain, Connecticut, on June 11, 2019, beginning at  
10 a.m.

H e l d   B e f o r e :

ROBERT LUYSTERBORGHES, ESQ., THE HEARING OFFICER

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2   For AQUARION WATER COMPANY:

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13   For THE TOWN OF NEW HARTFORD:

14       RORABACK & RORABACK

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20   For THE OFFICE OF CONSUMER COUNSEL:

21       RICHARD SOBOLEWSKI, ESQ.

22       DAVE THOMPSON

23

24   DPH Staff:

25       MICHAEL HAGE

PURA Staff:

ZAK ALEXANDER, ESQ.

JAMES VOCOLINA

CATHY PEDEMONTI

ALBERT SZABLOWSKI

1 THE HEARING OFFICER: Okay. Good morning, everybody.  
2 My name is Rob Luysterborghs, and I am an  
3 attorney with the Public Utilities Regulatory  
4 Authority. And we're here by a notice, a noticed  
5 technical meeting. It's an un-docketed matter.

6 We issued a notice of technical meeting on  
7 June 6th. The purpose of the meeting, according  
8 to the notice, is for New Hartford Water  
9 Pollution Authority and Aquarion Water Company of  
10 Connecticut to present information regarding  
11 Aquarion's proposed acquisition of certain New  
12 Hartford water facilities and to discuss any  
13 procedural filing requirements for an upcoming  
14 application that may be filed with the Authority  
15 and the Department of Public Health.

16 So, I guess by way of background, as I  
17 understand there were some issues or information  
18 you wanted to present. Jim, did you want to add  
19 comment on that? So we didn't call this meeting.  
20 We're facilitating this meeting that was  
21 requested.

22 MR. VOCOLINA: Yes, Just -- Mr. Butler?

23 DENTON BUTLER: Yeah.

24 MR. VOCOLINA: Okay. Nice to meet you face to face.

25 THE HEARING OFFICER: And the reason we have a court

1 reporter and we noticed it is because of the  
2 potential that it may come before us in a  
3 potential proceeding.

4 So we're trying to avoid any kind of ex  
5 parte or due process issues that would prejudice  
6 any parties, or the agencies.

7 MR. VOCOLINA: Yes, correct. Mr. Butler did call with  
8 some concerns and issues and I did state what  
9 Attorney Luysterborghs just mentioned, that due  
10 to the ex parte provisions we would have to have  
11 that open technical meeting to discuss any  
12 issues. Even though it's not a docketed  
13 proceeding it appears that it would be, so I  
14 think we have to take precaution in that regard.  
15 So that's why we have this forum.

16 It may seem a little more formal than it  
17 needs to be, but that's the process that we have.

18 THE HEARING OFFICER: Yeah. And we have everybody  
19 sitting around kind of in the horseshoe here. So  
20 it doesn't have to be formal. We can have a  
21 discussion since it has been noticed and it is  
22 being transcribed. And so if there is  
23 proceeding, you know, any information that's  
24 imparted here that bears on that can be taken  
25 into consideration.

1                   So I guess with that said, that long  
2                   preamble of the Authority's statement, do you  
3                   have any information or things that you wanted to  
4                   present?

5       DENTON BUTLER:   Denton Butler, Chairman of the WPC in  
6                   New Hartford.   I'm going to defer to Dan Jerram,  
7                   our First Selectman who has an opening statement  
8                   that he wants to make.

9       DANIEL JERRAM:   Perhaps before I go on, because this  
10                   is a new venue for me -- so maybe just to break  
11                   the ice we could just go around the room and I  
12                   can take some notes so I can have everybody on a  
13                   first name basis.

14                   Denton Butler -- or we call him Bud Butler,  
15                   and I have worked together for many years in the  
16                   Town of New Hartford with WPCA and selectmen.

17                   So again, it's Jerram, J-e-r-r-a-m.   This is  
18                   my Town Counsel Attorney Roraback, who's been  
19                   with me since day one, and preexisted me  
20                   representing the Town for many years.

21                   And my assistant Mrs. Hayward over there,  
22                   who I'd be lost without.   And I know we have a  
23                   bunch of folks from Aquarion.   So I'll let them  
24                   introduce them.   You folks may already know them,  
25                   but just so if we --

1 THE HEARING OFFICER: Sure, fair enough. And just so  
2 you're aware of, too --

3 DANIEL JERRAM: So everybody knows who everybody is.

4 THE HEARING OFFICER: That's great. And just so  
5 you're aware, too, there is a sign-up sheet so  
6 everybody who's here is identified -- but if  
7 that's helpful for the conversation, I'm Rob  
8 Luysterborghs. And as I said, I'm an attorney  
9 with the Public Utilities Regulatory Authority.

10 We'll just go like this around the horn.

11 MR. VOCOLINA: Jim Vocolina with PURA.

12 MS. PEDEMONTI: Cathy Pedemonti, PURA staff.

13 MR. SZABLOWSKI: Albert Szablowski, PURA staff.

14 MR. ALEXANDER: Zak Alexander, Attorney with PURA.

15 MR. HAGE: Michael Hage. I'm a section supervisor  
16 with the Department of Public Health Drinking  
17 Water Section.

18 DEB SZABO: Hi. Deb Szabo, Director of Rates and  
19 Regulations.

20 MIKE CRAWFORD: Mike Crawford with Aquarion Water.

21 DONALD J. MORRISSEY: Don Morrissey with Aquarion  
22 Water.

23 CHRISTINE HAYWARD: Christine Hayward, administrative  
24 assistant to Mr. Jerram.

25 DAN LAWRENCE: Dan Lawrence, Aquarion Water.

1 MR. PACE: Vincent Pace, Counsel for Aquarion.

2 MS. GALIETTE: Hi. Jen Galiette, Counsel for  
3 Aquarion.

4 MR. SOBOLEWSKI: Rich Sobolewski from the Office of  
5 Consumer Counsel.

6 MR. THOMPSON: Dave Thompson, Office of Consumer  
7 Counsel.

8 DANIEL JERRAM: Okay. So I just had, actually a  
9 one-page primer, if you like? So you can follow  
10 along. I'll pass them out.

11 You know, the Town of New Hartford has made  
12 this request. Obviously we've never been through  
13 this before because we're seeking some guidance  
14 for this process of sale. And you know, how the  
15 Town of New Hartford would work with our partner,  
16 Aquarion, which is not new to New Hartford,  
17 they've been administering our sewer plant for  
18 going on three years -- Bud, jump in any time.

19 But what we're looking at here is we have a  
20 town with what we consider to be very high, and  
21 what I think the State would acknowledge to be  
22 very high rates. So we're looking for guidance  
23 and process for post sale, or the possibility of  
24 post sale subsidization of rates from proceeds of  
25 sale.



1           You know, the sequence of events that have  
2           led up to this is, you know, in 2016 the  
3           selectmen of New Hartford formed a study  
4           committee called the asset evaluation team. And  
5           they were chartered to -- a four-step charge,  
6           which you see before you, obviously to gain a  
7           working knowledge of all the town, water and  
8           sewer.

9           And I think when we -- Rob, when we started  
10          you led out with water, but this transaction is  
11          both clean water and wastewater, which could be  
12          new ground for people.

13          So our charge again was to gain a working  
14          knowledge of both clean and wastewater assets to  
15          create and modify, and issue an RFP for the  
16          potential sale to review the quality of all the  
17          submitted proposals obtained from the release,  
18          which is really at the point where we're now.  
19          We've been working with Aquarion in that, and  
20          then to make a final recommendation to the board  
21          of selectmen regarding that sale.

22          Our objective in no particular order is to  
23          try to provide rate relief to our ratepayers in  
24          town. And you can see we have on our primer the  
25          published clean water and wastewater rates at

1           \$8.08 per thousand gallons, and \$20.89 per  
2           thousand gallons.

3           Two, the second objective was to minimize  
4           the financial operational and environmental risks  
5           to the Town of New Hartford.

6           Third was to leverage the financial capital  
7           and operational resources and industry expertise  
8           of a professional regulated utility for the  
9           benefit of our users and taxpayers.

10          Our fourth objective was to maximize the  
11          value received for both drinking water and  
12          wastewater systems, and to use those proceeds to  
13          pay off debt, expand the system base, minimize  
14          environmental and financial risk exposure to the  
15          Town, and create an infrastructure foundation for  
16          business development.

17          The fifth goal was to obviously protect our  
18          critical environmental assets, including the  
19          drinking water aquifer which remains unprotected  
20          at this point by source, and the west branch of  
21          the wild and scenic Farmington River; and to  
22          expand the public-private partnership between the  
23          buyer, which is -- we've identified as Aquarion,  
24          and the Town, to achieve these goals.

25          We've had a great working relationship with

1           Aquarion. They have really done well for us on  
2           operating one side of our two sets. The second,  
3           we run contract operations so the WPCA retains  
4           service for Aquarion to run the sewer, and the  
5           clean water is operated by Torrington Water under  
6           contract.

7           So when you get into these situations -- we  
8           do a lot as selectmen, but this is new ground for  
9           us. So when Bud reached out on the Town's  
10          behalf, or the WPCA's behalf we were looking for  
11          guidance in an informal setting, I guess is what  
12          that means.

13          And I understand and I appreciate your  
14          standard of care in accommodating us for this  
15          meeting, but we'd like to hear from you on the  
16          steps we should take to protect ourselves in this  
17          process, and to make sure that we get the desired  
18          result.

19       THE HEARING OFFICER: Okay. So our ability -- and I  
20       appreciate the very thorough presentation and  
21       giving us this information. It's helpful for us  
22       to understand the background.

23          So -- but with that said, I can say that we  
24       probably can't have a dialogue with you on any of  
25       these items. And I'll do a disclaimer that

1 anything I am saying right now is not on behalf  
2 of the agency, the commissioners and in any way  
3 binds the agency. But in an effort to be helpful  
4 I'll make some comments that are attributable  
5 only to me -- and I have no decision-making  
6 authority here.

7 So the types of details that you've outlined  
8 in your one-pager and that you just discussed  
9 with us are all transactional deals that would be  
10 terms and conditions, but that you could seek  
11 from Aquarion in this transaction. And Aquarion  
12 and the Town of New Hartford would file an  
13 application under the appropriate statutes with  
14 PURA and with DPH for approval of your proposed  
15 transaction.

16 And then with respect to any of these  
17 financials, PURA -- I can't speak for DPH, but  
18 what PURA would do is review the transaction.  
19 And there's many criteria for reviewing  
20 a proposed transaction. And with respect to any  
21 financial pieces of it, one of the big pieces is  
22 what if any amount of sales cost can Aquarion  
23 recover through rates?

24 And if you want to say whatever you have  
25 here, Jim? I mean, the same disclaimer applies

1 to Jim.

2 But -- so like, these are types -- these  
3 types of details may or may not be things that  
4 the Authority, anyway, PURA conditions its  
5 approval on. These may be transactional terms  
6 and conditions that are between Aquarion and the  
7 Town, but these may not be -- these issues may  
8 not be of concern to PURA in its review and  
9 approval except with respect to how much of this  
10 is recoverable in rates by Aquarion, any of these  
11 costs.

12 MR. VOCOLINA: That really summarizes what I was going  
13 to say. It sounds like there's concern on your  
14 part about what you'll be able to do financially  
15 with what we rule on any transaction.

16 Our role is to rule on what Aquarion would  
17 pay you. Aquarion can pay you what they wish.  
18 Our role is to evaluate and see what a proper  
19 purchase price is. What that does is -- because  
20 then whatever we rule on a proper purchase price  
21 goes into a rate base, which is spread across all  
22 the company's customers. So you can see our  
23 concern there about --

24 THE HEARING OFFICER: It's an issue we review.

25 MR. VOCOLINA: -- subsidization problem.

1 THE HEARING OFFICER: And there's case precedent on  
2 this that your counsel can research about similar  
3 types of transactions involving water systems  
4 that are comparable to yours in the state. Yours  
5 isn't the first transaction of this type that  
6 will have come before both PURA and DPH.

7 MR. VOCOLINA: Yeah. So again, just to alleviate some  
8 concerns I think you had, the transaction between  
9 you and Aquarion is, Aquarion is really, for lack of  
10 a better word, coming before us with a  
11 purchase price.

12 They would have something in writing with  
13 you. They would more or less be looking for us  
14 for that purchase price. It could be less or it  
15 could be the purchase price. I don't know what  
16 that number is, but the particulars between  
17 whatever happens with our judgment there and  
18 between you and Aquarion is some contract  
19 language that you would have.

20 THE HEARING OFFICER: Right. If I didn't articulate  
21 that clearly, that's right.

22 DANIEL JERRAM: I understand. I think that the new  
23 ground that we're talking about primarily  
24 focusing on sewer, which if you see by the  
25 numbers that you have before you is kind of new

1 ground, I don't know that there's been a lot of  
2 transactional detail with regard to -- on the  
3 wastewater side. We're only aware of one in  
4 regard to Southbury, but if that's the  
5 conversation, I don't know quite how to proceed.

6 MR. VOCOLINA: We have one regulated sewer utility.  
7 Connecticut Water currently -- it's the Heritage  
8 Village System Connecticut Water owns and  
9 operates.

10 THE HEARING OFFICER: And that's really all we can  
11 say. I mean, you would have to, you know, work  
12 with Aquarion in packaging whatever application  
13 you put before us, you know, and clearly  
14 indicating that there's this different piece to  
15 it, and justifying it being part of the  
16 transaction.

17 DANIEL JERRAM: Okay.

18 DENTON BUTLER: It's our perception that because no  
19 regulatory authority exists for orders to connect  
20 with anyone except the WPCA, that we would still  
21 have an ongoing relationship, even though we  
22 would sell the assets.

23 Would you comment on the fact that there's a  
24 regulatory void for orders to connect unless we  
25 have that provisioning?

1 THE HEARING OFFICER: Yeah, we can't comment on that.  
2 That's something you can propose to us in  
3 whatever transaction gets proposed to us, that  
4 whatever your legal view is on that issue and  
5 whatever proposal you have for addressing it.

6 And we'd have to determine whether we agree  
7 with your legal position. And if we do, if we  
8 agree with your proposal for resolving that.  
9 That's the best I can tell you.

10 Sorry, because I can't say anything that's  
11 going to prejudge an application that's going to  
12 come before us. I'm not trying to be -- I'm  
13 being a lawyer, but I'm not going to be an  
14 evasive lawyer. I'm trying to be helpful to the  
15 extent that I can.

16 DANIEL JERRAM: That's fine. I think the advice we're  
17 getting is that it's up for us to rely on our  
18 counsel and Aquarion's counsel to put together  
19 the most thorough -- considering the complexity  
20 and maybe the new ground of the sewer contract  
21 language -- we can, to avoid pitfalls down the  
22 road so that you folks have a good review.

23 THE HEARING OFFICER: Right. And it sounds like  
24 you've given a lot of thought to these issues,  
25 and I don't know to what extent you've worked



1 with Aquarion in fleshing out an application  
2 package that in your view address these so that,  
3 you know, you'd get a favorable decision on the  
4 application.

5 So it sounds like you've teed up all the  
6 issues, and to the extent that Aquarion wasn't  
7 aware of them before today they certainly are  
8 now. And you can sit down and work on them.  
9 Does OCC have any -- I'm sorry. Does Aquarion  
10 have anything to say? And we'll get everybody's  
11 chance to say something.

12 DONALD J. MORRISSEY: Well, I guess two, two points  
13 I'd offer. One is just in terms of the overall  
14 status of where we are at this point. So there  
15 is no agreement. You know, there is no agreement  
16 in place between the Town and Aquarion in this  
17 thing.

18 And frankly the Town, it still needs to go  
19 to referendum for a vote. So in terms of status  
20 of where we are we've certainly been working  
21 very, very closely with the two parties -- and  
22 which really brings us back to where we started.

23 I think initially -- I think the meeting was  
24 set up with the intent of being conversational  
25 and assist with some specific issues. I think

1           one in particular, which is -- certainly it's  
2           unique to something that we have seen before, is  
3           what the Town chooses to do with the proceeds.  
4           And it's been our position, and I know it's the  
5           Town's position as well what they do with the  
6           proceeds is their prerogative. It's got nothing  
7           to do with -- Aquarion has nothing to do with  
8           that.

9           But given the rates that the First Selectman  
10          had indicated earlier, they're at such a level,  
11          the Town is very sensitive to that level and  
12          would like to provide some relief to their  
13          customers.

14          And early on in our discussions we said,  
15          well, once the system comes over to our hands  
16          obviously the ratesetting process is out.

17          It's outside of your hands.

18          It becomes under the purview of PURA. And I  
19          again explained what the ratemaking process was.

20          And understanding that to the extent that  
21          they would like to subsidize those rates, again  
22          it's their prerogative, but to the extent that we  
23          can create either the mechanism or, you know, the  
24          mechanics in terms of how to flow some of that  
25          benefit back to the customer.

1           That to me was somewhat new ground for us,  
2           and in terms of the discussion today I think it  
3           might be helpful to -- if we can kind of further  
4           that discussion, and I will look to you, Bud, on  
5           this as well.

6           Whether it's, you know, whether it's done on  
7           the bill or off the bill and, you know, obviously  
8           there's some pros and cons to that, or even other  
9           mechanisms, frankly.

10          DENTON BUTLER: Well, I'm not sure how much of this  
11          background information you would like to hear,  
12          but we are working with USDA who is the agency  
13          who loaned us the money to advance the projects  
14          in water and sewer that we have.

15          We are seeking relief from the grant portion  
16          that remains and intending to take all the  
17          proceeds and do the following with it. Pay off  
18          the outstanding principals of our debt and then  
19          reinvest entirely in the system, in this  
20          particular case, the wastewater system to  
21          preserve our aquifer in the Pine Meadow section  
22          of town which has a density and lot size,  
23          bedrooms and housing in it that exceeds some  
24          general parameters established by the Department  
25          of Health in 2000.

1           We would like to provide from those proceeds  
2           rate relief that would diminish the amount of  
3           money that the users currently pay with the idea  
4           that somewhere along the line -- not being  
5           totally familiar with your process, there's some  
6           adjustments to the rate that could take place  
7           beyond our initial subsidy period that would get  
8           more in line with the general rates that have  
9           been accepted by this group to support the users  
10          in New Hartford.

11       THE HEARING OFFICER: Right, and that along with other  
12       alternatives could be proposed as part of the  
13       proposed transaction for the Authority's  
14       consideration. That's the best I can tell you.

15       MR. VOCOLINA: Yeah, I'll just go back to my original  
16       comment. I mean, Aquarion and the Town can  
17       arrive at any purchase price, but Aquarion would  
18       then come before us. And depending on whatever  
19       provisions you have in your contract regarding  
20       any ruling that we make on a purchase, that's  
21       still could change.

22               I believe it would be --

23       DENTON BUTLER: At the time you open a formal  
24       proceeding do both the seller and the purchaser  
25       have a role in those proceedings?

1 MR. VOCOLINA: Absolutely.

2 THE HEARING OFFICER: Yes.

3 MR. VOCOLINA: Yes, it would be a party.

4 DENTON BUTLER: So once that occurs we can come back  
5 and give you specific information relative to why  
6 we were recommending what we were suggesting we  
7 do?

8 MR. VOCOLINA: Absolutely.

9 THE HEARING OFFICER: Yes, you'll get party status in  
10 the case and be able to present everything you  
11 deem appropriate in support of the application in  
12 further treatments that aren't specifically  
13 addressed in your agreement, if you think there's  
14 any.

15 It sounds like you're talking about things  
16 that may be outside of your actual transaction,  
17 your agreement with Aquarion. It sounds like  
18 you're talking about rate treatment at some point  
19 down the road beyond the transaction.

20 So there's a transaction to approve the  
21 acquisition and then there's rate treatment,  
22 which may not be addressed in the same proceeding  
23 for going-forward rates. I hear you talking  
24 about going-forward rates. It sounds like you're  
25 talking about some period of subsidization that

1 results from the transaction itself?

2 DENTON BUTLER: Correct.

3 THE HEARING OFFICER: But then you're talking about  
4 learning about whether you can get some  
5 assurances or agreement on going forward rates?

6 Am I misunderstanding.

7 DENTON BUTLER: No. At least an understanding of how  
8 that might be established, what kind of a  
9 timeframe out that there might be any adjustments  
10 to the rates so we have an idea whether or not  
11 there's a cliff involved here frankly.

12 If, theoretically let's just say, that we  
13 establish that we're going to provide from the  
14 proceeds some rate relief to our users. The  
15 worst thing that could happen is it exists at  
16 this point in time, it falls off and rates jump  
17 back again. You will find, and upon your own  
18 know knowledge, I'm sure you're can understand  
19 that there's nobody even close to these rates as  
20 a user.

21 THE HEARING OFFICER: All right. You know, and one of  
22 the things is I know that there's some precedent  
23 without getting specifically into it where  
24 there's been acquisitions of water systems. They  
25 might have even been public-service systems by

1 other public-service systems, and there was  
2 issues of rate disparity and rate equalization.

3 And I believe there's Authority, PURA  
4 precedent, past PURA precedent on how some of  
5 those issues were addressed, and that's the most  
6 I can really say. Right?

7 There, there was a water system I think that  
8 had a division down in Greenwich and also had one  
9 in the New London area. And there was an issue  
10 that was addressed by PURA about, what we do with  
11 the differences in rates in the two territories  
12 now that they're merged into one company?

13 MR. VOCOLINA: Yes.

14 THE HEARING OFFICER: And there may be other cases  
15 that go beyond that. That's just the one that  
16 comes to my mind off the top of my head.

17 I'm hearing your concern for the first time.  
18 And then just by way of information I'm letting  
19 you know about that. I don't recall the outcome  
20 of the case or how it was resolved, but I know  
21 the issue. This isn't a unique issue.

22 DANIEL JERRAM: Well, that gives us a little place to  
23 start to do a little bit more additional  
24 research.

25 MR. RORABACK: You just answered the question I was

1           going to ask which is, are you aware of any  
2           precedent where there is --

3       THE HEARING OFFICER: There is at least one. There  
4           may be others.

5       MR. RORABACK: And does that involve rates  
6           subsidization or just rate equalization between  
7           two separate systems, disparate.

8       THE HEARING OFFICER: Well, there were two. There  
9           were previously two separate systems and then  
10          they were, I guess, acquired and made into one  
11          system.

12               And the case addressed, you know, the issue  
13           was raised, what do we do to address having two  
14           separate sets of rates? Should we make them  
15           closer to one another? Or should we make them  
16           the same? And policy and technical discussions  
17           around that.

18               And I see people shaking their head in the  
19           room who were aware of it, and there may be other  
20           cases.

21       MR. SOBOLEWSKI: I'm not sure they're equalized yet,  
22           you know, between Greenwich and Mystic. I'm  
23           not --

24       DONALD J. MORRISSEY: I think residential is. I think  
25           it's before it. This case is -- that will be



1 before the Town in terms of Connecticut and  
2 American, I'm assuming before we bought it. It  
3 sounds like Aquarion assets.

4 MR. SOBOLEWSKI: You know, Greenwich and, you know,  
5 the Mystic system. Greenwich, recall there was a  
6 field. You know, their residents were objecting  
7 to the movement to an equalized rate -- but I  
8 mean where we are on equalized rates today,  
9 though, versus where we were 30 years ago.

10 DONALD J. MORRISSEY: They are equal. So residential  
11 customers in Greenwich and in Mystic have been  
12 equalized.

13 MR. SOBOLEWSKI: But I mean, the policy of the  
14 department has changed over the years. I mean,  
15 you still have rates that aren't equalized, you  
16 know. And there's been movement over the years  
17 to get them closer together, but there's still  
18 quite a bit of difference.

19 You know, I mean, to say that there's going  
20 to be equalized rates in the future, I would  
21 never -- I would never say that. And I think the  
22 idea that, you know, single-tariff pricing, I  
23 think that whole idea, I think there's more push  
24 against that in this day and age than there is  
25 for it because of a lot of the acquisitions that

1           happened. You know?

2           I have no problem with, you know, the towns  
3           providing some rate relief to the customers.  
4           That's some type of fund that you're going to put  
5           aside. I have no problem with that. You know,  
6           that that's something that, you know, I think  
7           it's a great idea.

8           But you know, when you see, you know, sewer  
9           rates of 20, 20 dollars per thousand and water  
10          for 8 dollars, you know, per thousand. Like, \$8  
11          is high, but I don't think it's, you know, so off  
12          the map anymore, you know, this day and age.

13          But you know, you're running two businesses  
14          there and what I would be very careful about is  
15          trying to do some cross subsidization between  
16          water and sewer, you know. To me they're two  
17          separate businesses.

18          You know, I know some states allow that, but  
19          I'd be very careful trying to subsidize one  
20          versus, over the other. And you know, I don't  
21          know. You know, I don't know if your customers  
22          are one and the same or they're different sets of  
23          customers that everybody has -- that has water  
24          also has, you know, sewer or not. You know?

25          But to me that's one of the, you know,

1 issues that would be out there. And the whole  
2 idea of, you know, everything is going to be  
3 equalized at some point, it could be decades.  
4 You know? I mean, especially when they're so  
5 different. You know?

6 I think what PURA has done over the years  
7 is, you know, give higher increases to those  
8 customers that have lower rates. But if your  
9 system requires major improvement, that's the  
10 other thing. I don't know what the state of your  
11 system is, if it requires major improvement. You  
12 know, I wouldn't just assume that the rest of the  
13 Aquarion customers are going to pay for that.

14 You know, I don't know what the state of  
15 your system is. You know, if it requires  
16 millions of dollars of improvements.

17 DANIEL JERRAM: Like any small town we have our  
18 challenges, you know, on both sides. I don't  
19 think we're unique.

20 MR. SOBOLEWSKI: And the more that company pays a  
21 system for -- if you're trying to get recovery of  
22 that, all that cost, that's going to, you know,  
23 also add on to the rate pressure whenever that  
24 comes forward.

25 So if they pay a lot of money for a system

1 and it requires a lot of improvements there's  
2 some driving factors to higher rates there.

3 THE HEARING OFFICER: So to the extent that the Town  
4 of New Hartford is new to this process, and now  
5 you know that there's an office of Consumer  
6 Counsel that will be a party to the proceeding  
7 and hearing at least one's persons perspective in  
8 an office on some issues in the transaction.

9 So there may be value in you speaking with  
10 them as well. And I'm sure Aquarion will  
11 probably do that as part of preparing any -- if  
12 they prepare an application.

13 MR. SOBOLEWSKI: Our door is open. You can talk to us  
14 at any time. We're not the decision makers. So  
15 that's one thing that you know.

16 DANIEL JERRAM: I appreciate that.

17 THE HEARING OFFICER: And there's also DEEP. DEEP is  
18 a statutory party. PURA is an agency that is  
19 located within another larger agency, the  
20 Department of Energy and Environmental  
21 Protection, and they may have an interest in some  
22 of the issues you have identified here today.

23 DENTON BUTLER: I know that Mike is representing the  
24 Department of Public Health. I was wondering if  
25 he has any observations that he wants to pass

1           along?

2       MR. HAGE: Yeah. You know, Rob mentioned DEEP, but  
3       we -- DPH doesn't have jurisdiction over the  
4       wastewater side unless you have sewage disposal  
5       under 7,000 gallons per day, which is not the  
6       case in your situation, but DEEP definitely had  
7       the jurisdiction here, the wastewater. And I was  
8       wondering if you guys have any obligations or  
9       commitment -- one, first you talked to DEEP about  
10      what you're doing.

11           And two, if there's any obligation or  
12      commitment under the clean water fund based on  
13      grants or whatever, loans that were provided by  
14      DEEP to do the improvements of the wastewater  
15      site with a new treatment plant or distribution  
16      service area part of it?

17           So kind of these type of things need to be,  
18      you know, discussed with DEEP probably in advance  
19      of submitting an application just to make  
20      sure what's -- they have expectations of you,  
21      anyway.

22      DENTON BUTLER: We have been in fairly frequent  
23      contact with DEEP on any number of issues  
24      including this expansion for the Pine Meadow  
25      section of town that I spoke about for protection

1 of our aquifer.

2 From a topical standpoint they have said  
3 that they are only interested in the operational  
4 concerns for the wastewater treatment facility,  
5 and not in any of the regulatory aspects.

6 Does DPH have any observations here?

7 MR. HAGE: Well, we will be a party -- I mean, be part  
8 of this joint process, you know, under the  
9 statute and PURA. Rob said earlier we'll be  
10 looking at -- together, PURA, the financial,  
11 technical, managerial capacity of the entity  
12 that's going to acquire New Hartford.

13 Make sure that they -- eventually in the  
14 future it's going to be in good hands and meeting  
15 all the regulatory requirements. Obviously, the  
16 rates and stuff like that, we leave it primarily  
17 to PURA during the process, but our focus will be  
18 more on the technical and managerial capacity of  
19 the entity that's going to acquire the water  
20 assets of New Hartford.

21 Obviously it will be new ground for us to  
22 look into the wastewater side, but that's  
23 something we -- I don't think we're going to be  
24 doing much of, at least from the DPH side, you  
25 know, given that we have no jurisdiction over

1           that side of it.

2           As long as you keep DEEP satisfied and they  
3           are okay with how the new setup is going to be  
4           and how it's going to be operated, and you have  
5           demonstrated that during the process, I think,  
6           you know, that would be essential at the time.

7       DANIEL JERRAM: Well, that's one of the benefits of  
8           dealing with a partner who's already operating  
9           the system and has been for three years. So we  
10          have a good partnership with Mike being our daily  
11          liaison -- and Don is there.

12          So we have, you know, really no complaints  
13          on the operational side, but when you get into  
14          the technical portions -- and you know, Rob, I  
15          appreciate the guidance and understanding where  
16          you are in the position of trying to help us  
17          here.

18          I think we have some, you know, precedents  
19          to look into and really make sure that we do our  
20          homework right, but we do have a good partnership  
21          right now. Things are going well. They have  
22          been going well. I think -- I don't have all my  
23          WPCA here, but attended through these  
24          frequently and I think that they're -- in that  
25          managerial aspect that you were talking about,

1 Mike, is, you know, the Town has a high level of  
2 confidence.

3 Of course, I know you folks are dealing with  
4 rates and that's a whole different thing on that  
5 go-forward basis, but we like the relationship  
6 that we have with these guys, and they're doing a  
7 great job. So we don't get complaints from our  
8 customers right now. We get a high level of  
9 satisfaction. And, you know, I don't know how  
10 they feel about us, but we like the way they're  
11 running the system. So.

12 THE HEARING OFFICER: Is there anyone else who wanted  
13 to add anything?

14 MIKE CRAWFORD: Just to summarize what really  
15 precipitated the Town reaching out to PURA was us  
16 having an informal discussion and saying, all  
17 right. It's time to take the show public. We  
18 need to go and get the WPCA signoff. We need to  
19 get the asset evaluation team to sign off. We  
20 need to have the board of finance sign off, the  
21 board of selectmen. And then we have to have  
22 three informational meetings in anticipation of a  
23 referendum.

24 And one of the questions one night was, we  
25 like the idea of providing a subsidy, whether



1 it's for a three-year, five-year period, or even  
2 the details of how much that subsidy is, that  
3 hasn't been worked out. But the question that  
4 came up was, how do we actually do the mechanics  
5 of that?

6 And the Town turned to us and said, well, it  
7 would be nice if you could just put it on your  
8 bill to show somebody who owes a hundred dollars,  
9 they get a 10-dollar subsidy. The net bill is  
10 \$90.

11 And at the time we said, we're not sure we  
12 would be able to do that. And that's really why  
13 we came here was to just question, is this  
14 subsidization, the way the mechanics are carried  
15 out, can that touch our bill? And really that's  
16 kind of the basic question.

17 And the reason we want to just address that  
18 is, again as we go in front of the public we want  
19 to come as if we're prepared. And I guess the  
20 takeaway today is, we've met with PURA. We  
21 discussed the concept of a subsidy and how that  
22 mechanic would be carried out.

23 And as part of our application we'll  
24 actually be trying to address that and figure out  
25 how that proceeds.

1 THE HEARING OFFICER: That's right.

2 MR. SOBOLEWSKI: I think you could do it on the bill.

3 I mean, you can ask for, like, a certain credit  
4 to be on the bill and you can, you know, it could  
5 be a percentage. It could be, you know, so much  
6 for sewer for a thousand gallons. So much for  
7 water per thousand gallons.

8 And you know, you just have it outlined in  
9 the application, if it's going to last for three  
10 or five years, or what it's going to be. And you  
11 know, it's only to the customers of the system.  
12 They have a PURA oversight of rates, and this is  
13 one of the components of the rate.

14 For these years it's, this is what it is and  
15 if the Town wants to provide money after that,  
16 well, they can offer it to your next rate case,  
17 three, five years down the road, or whatever it  
18 may be, or you know. Or you can call it --  
19 there's a lot of creative ways to do it.

20 A negative surcharge or something where, you  
21 know, it's one provided by the Town to, you know,  
22 help the town residents with this. I'm sure  
23 there's some creative ways it could be done.

24 MIKE CRAWFORD: And I think Aquarion is indifferent as  
25 to which way we go with this. I think the Town

1 would like to see it on the bill in the sense  
2 that it, just on a quarterly basis, is reminding  
3 the users, we -- we are still here with you. We  
4 are still concerned about the rates and we're  
5 still implementing what we can.

6 DANIEL JERRAM: I would add onto that is that, you  
7 know, our challenge is to try to get it right the  
8 first time. The amount of approvals, when you're  
9 blending a sale and an appropriation in a small  
10 town, and the amount of meetings and noticing,  
11 and referendums, we'd hate to have to recreate  
12 that and inconvenience our patient partner here  
13 who's been -- I mean, this has been going on -- I  
14 think we formed this and constituted this study  
15 in '16 and issued our RFP in '17.

16 So we have been painstakingly patient trying  
17 to work through federal agencies to make sure  
18 that we're going through things here. And these  
19 folks have been patient with us.

20 So we're hoping to get this guidance,  
21 implement and get it right the first time so that  
22 when we do see you we get a positive result and  
23 we're addressing these things and researching  
24 these examples that have been discussed today,  
25 and maybe spend an afternoon or two with Consumer

1 Counsel to make sure that we come up with  
2 something that is really detailed, because I'd  
3 hate to think we'd have to do it twice.

4 THE HEARING OFFICER: We appreciate that, Mr. First  
5 Selectman. We appreciate you reaching out to us  
6 and bringing your team, and Aquarion coming here,  
7 and OCC.

8 Hopefully you've got some benefits out of  
9 it, you got some helpful information and some, I  
10 guess, to the extent you can get it, assurance  
11 that some of these issues that you've have raised  
12 can be worked out and be proposed to us. And  
13 that there is precedent for some of the aspects  
14 of the transaction you're seeking approval for,  
15 and it can be looked at by your Council.

16 And unless anybody has anything else, I  
17 think we'll call it a wrap. Thank you everybody  
18 for participating today.

19 DANIEL JERRAM: Thank you for having us. I appreciate  
20 it.

21  
22 (Whereupon, the above proceedings were  
23 concluded at 10:41 a.m.)  
24  
25

## CERTIFICATE

I hereby certify that the foregoing 36 pages are a complete and accurate computer-aided transcription of my original verbatim notes taken of the Technical Hearing in Re: NEW HARTFORD WATER POLLUTION CONTROL AUTHORITY AND AQUARION WATER COMPANY OF CONNECTICUT TO PRESENT INFORMATION REGARDING AQUARION'S PROPOSED ACQUISITION OF CERTAIN NEW HARTFORD WATER FACILITIES AND TO DISCUSS ANY PROCEDURAL FILING REQUIREMENTS FOR AN UPCOMING APPLICATION THAT MAY BE FILED WITH THE AUTHORITY AND THE DEPARTMENT OF PUBLIC HEALTH, which was held before ROBERT LUYSTERBORGHES, ESQ., THE HEARING OFFICER, at the Public Utilities Regulatory Authority, 10 Franklin Square, New Britain, Connecticut, on June 11, 2019.

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Robert G. Dixon, CVR-M 857  
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My Commission Expires:  
6/30/2020