



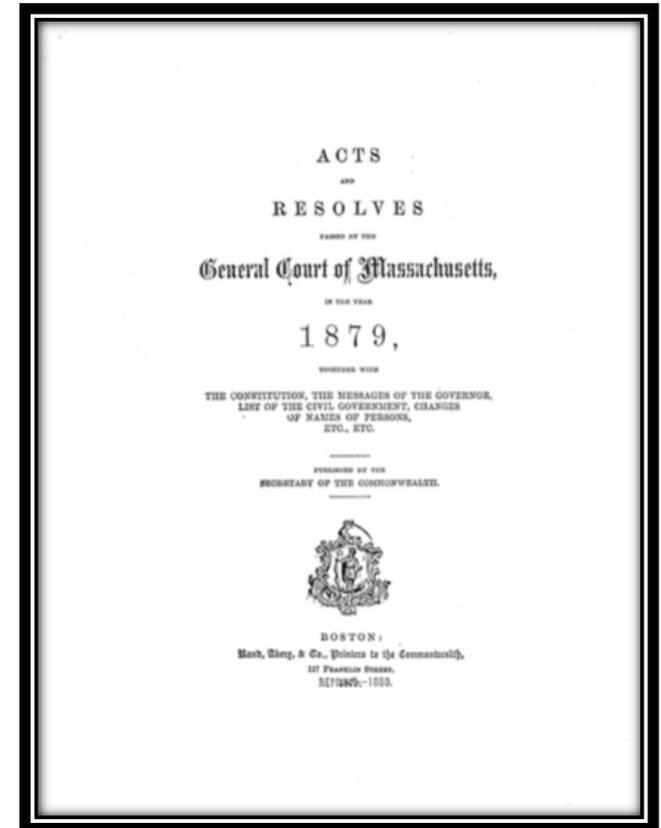
**Board of Selectmen
Public Information Meeting
Water Company Acquisition**

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



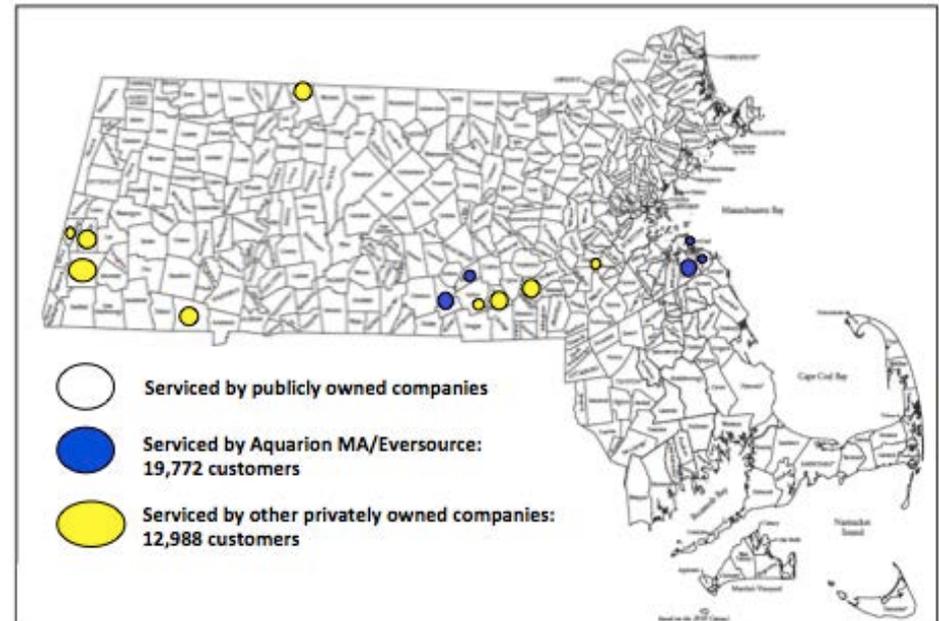
- 5th highest water rates in the state
- “Break/fix” water main strategy
- Lack of coordination with Town roadbuilding program
- Ownership changes after decades of stability
- Concern that a private owner’s first responsibility is to its shareholders and not ratepayers
- No control over decisions related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

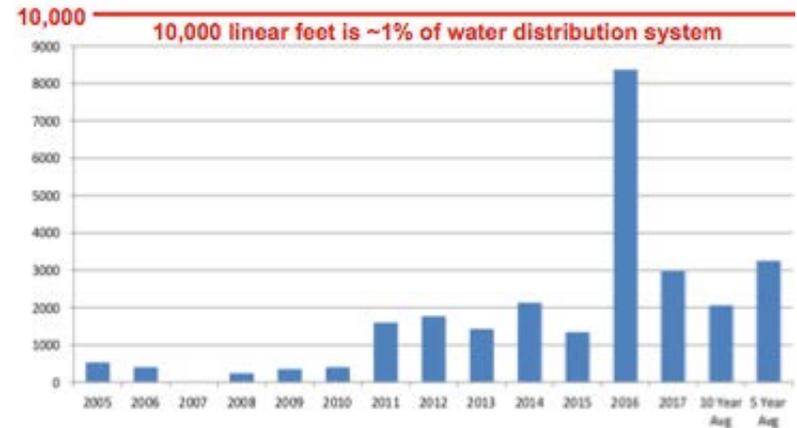
- **Municipal entities may have higher wage costs due to prevailing wages**
 - Impact unclear and likely not material
- **Municipal entities have lower borrowing costs**
 - Hingham Aaa vs. Aquarion Baa2 ~ 2.5% difference in interest rates
- **Municipal ownership costs are highest in the first 30 years 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

Service Area A – Historical Water Main Feet Replaced



What We Learned



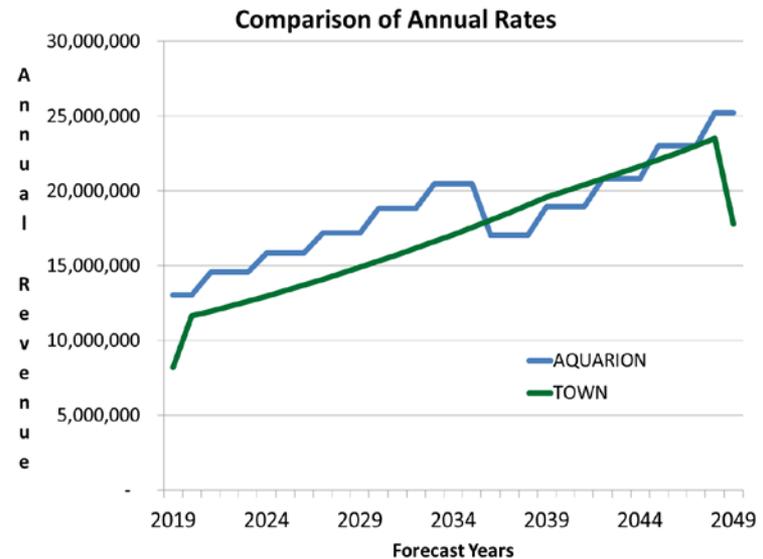
- The purchase price as of 4/22/19 is approximately **\$108 million**
- Based on the statute and the court ruling, the purchase price increases by **\$3 - \$4 million each year**



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



Massachusetts
Department of
Environmental Protection

(MASSDEP)

MassDEP is responsible for ensuring clean air and water, safe management and recycling of solid and hazardous wastes, timely cleanup of hazardous waste sites and spills, and the preservation of wetlands and coastal resources.

- *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	130.00
* Software rental and on-line quiz creation	13.89
* Telephone	

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

Public Relation Fees	5,000.00
Feb PR Services: January highlights include development of Q1 editorial calendar with Greg. Worked with the Hingham Journal to kill a story they planned on writing about the sale of MacQuarie. Regular updates to Social Media with events and conservation updates. Developed release on water conservation. Attended attending meetings at Town Hall. Meeting overview press release developed and submitted following Water Supply Committee Meeting. Provided edits to monthly Newsletter.	

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

11/14/2017	Public Affairs Consulting	4.25	175.00	743.75
	Grassroots Advocacy: Calls to seniors to encourage turnout to 11/15 Selectmen meeting (11/14/2017)			
11/15/2017	Public Affairs Consulting	4.50	175.00	787.50
	Grassroots Advocacy: Calls to identify individuals to send emails to Board of Selectmen (11/15/2017)			

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

12/19/2017	Public Affairs Consulting	5.25	192.00	1,008.00
	Campaign Management: Strategy and tactics planning; call w/ R. Goldstein re: communication strategy; Research: Hingham BOS Meeting agenda and minutes; content for infrastructure story; HUI Special Town Meeting; Grassroots Advocacy: draft emails to supporters re: water issue; calls w/ supporters re: grassroots advocacy tactics; blogging with supporters; political analysis of Advisory Committee; Legislative + Regulatory: Attend Hingham BOS Meeting re: O&B; Complaints; draft email re: Hingham BOS Meeting agenda; monitor Advisory Committee meeting re: "Reserve Fund Transfer"; (12/19/2017)			

“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

12/04/2017	Public Affairs Consulting Grassroots Advocacy: Manage Holiday Party, Advisory Committee grassroots advocacy and support 13 phone banks; Grassroots Advocacy: all w/ supporters re: Advisory	2.75	192.00	528.00
12/05/2017	Public Affairs Consulting Research: research open meeting violation timeline; Grassroots Advocacy: calls w/ supporters re: water issues; manage phone bank for AdComm meeting. (12/05/2017)	1.50	192.00	288.00
12/05/2017	Public Affairs Consulting Grassroots Advocacy: Meet with supporter; Discuss Advisory Committee meeting; outreach calls to supporters; re-identify supporters; urge attendance at 12/12 advisory committee (12/05/2017)	5.25	175.00	918.75
12/05/2017	Public Affairs Consulting Prep for and do outreach calls to Hingham allies re: Ad Comm meeting. Review script and materials re: same. (12/05/2017)	3	0.00	3.00

“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”

11/20/2017	Public Affairs Consulting Campaign Management: Team meeting re: grassroots advocacy tactics; draft outline for campaign plan presentation for Eversource; call w/ J. Walsh re: campaign plan; Communications: monitor local media outlets; draft grassroots communications; Research + Database: HMLP opposition research. (11/20/2017)	4.25	192.00	816.00
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“Draft outline for campaign plan presentation to Eversource”
 “HMLP opposition research”

11/06/2017	Public Affairs Consulting Grassroots Advocacy: Hingham BOS meeting legislative; meet w/ supporters re: prepare for BOS meeting; draft MA Appeals Court briefing; review and analyze phone bank Database: Update campaign database w/ voter contact information; research customer main break complaint; Project Management: meet w/ AWIC team to prepare for BOS meeting; call w/ J. Walsh re: grassroots advocacy, messaging and research; Communications: monitor media outlets re: MA appeals court decision; meet w/ M. Tedeschl re: Hull Times MA Appeals Court Decision questions; Legislative + Regulatory: Draft Takeover Warrant Article approval process memo for J. Hunt; draft grassroots communications. (11/06/2017)	7.75	192.00	1,488.00
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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**

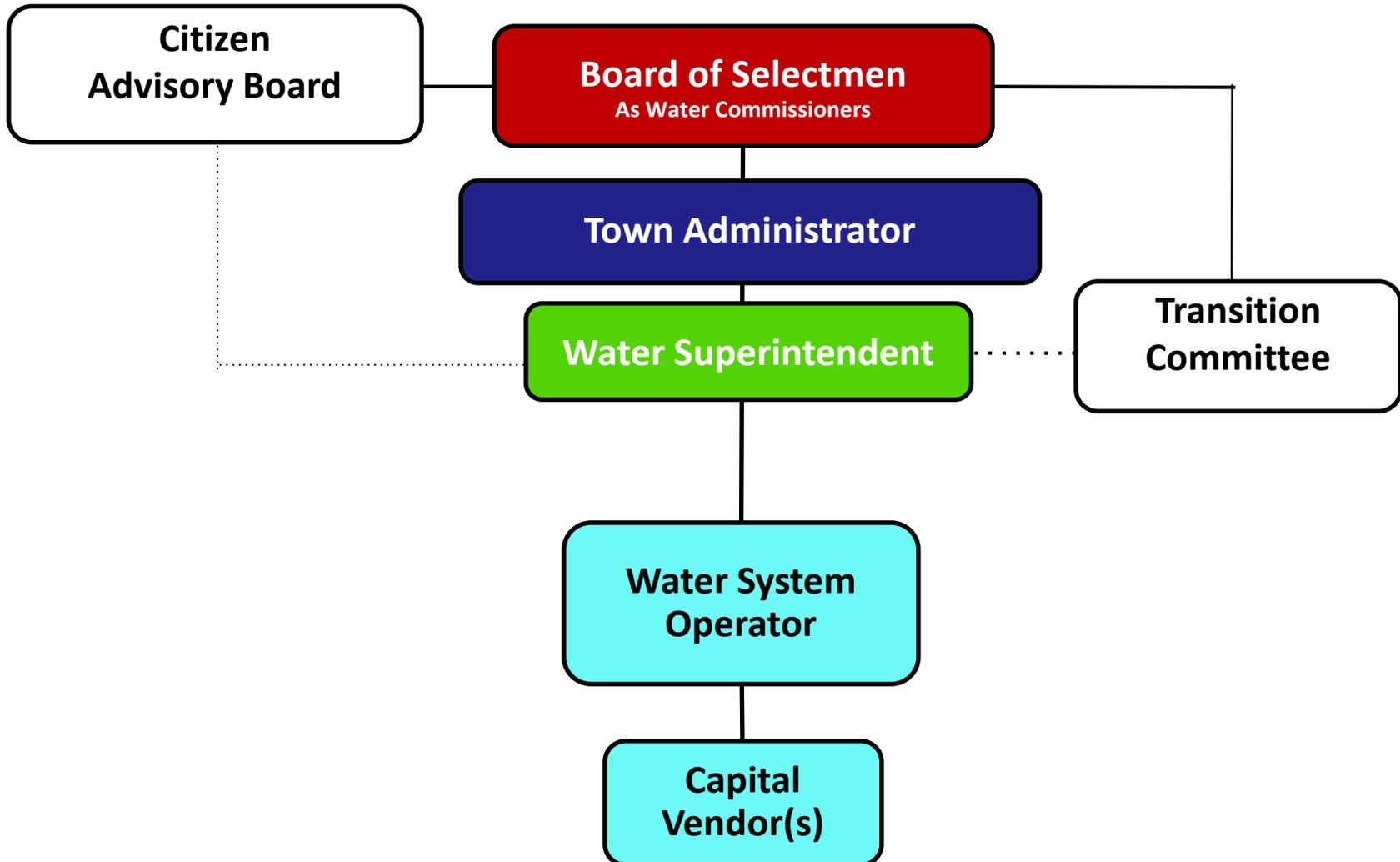


Transition

- **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**



Day 1 Structure





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**

Home > Government > Committees M - Z > Water Company Acquisition Study Committee > Documents

Documents

2019 Town Updates and Q&A Documents

- [February 8, 2019 - Andersen Tax Presentation](#)
- [February 8, 2019 - Andersen Tax - Town Model \(Excel file\)](#)
- [February 8, 2019 - Andersen Tax - Aquarion Model \(Excel file\)](#)
- [January 31, 2019 Water Company Acquisition Transition Presentation](#)
- [January 31, 2019 WCASC Recommendation Vote Summary Presentation](#)
- [January 10, 2019 - Berry Dunn Report to the Town](#)
- [January 10, 2019 - Andersen Tax Presentation to the Town](#)

2018 Town Updates and Q&A Documents

- [September 25, 2018 - Statement from Town Administrator regarding RFP](#)
- [September 11, 2018 - Financial Model Reconciliation Presentation](#)
- [September 11, 2018 - Governance and Operations Presentation](#)
- [August 13, 2018 - Water Company Acquisition Financing Presentation](#)
- [August 7, 2018 - Water Company Acquisition Engineering](#)
- [August 7, 2018 - Water Company Acquisition Engineering Q&A](#)
- [July 10, 2018 - Water Company Acquisition Background](#)
- [July 10, 2018 - Water Company Acquisition Background Q&A](#)
- [July 10, 2018 - Water Company Acquisition Financial Update](#)
- [July 10, 2018 - Water Company Acquisition Financial Update Q&A](#)
- [July 10, 2018, Aquarion vs. Town Ownership Cost-Comparison Model \(without WRIM\) \(Excel File\)](#)
- [July 10, 2018, Aquarion vs. Town Ownership Cost-Comparison Model \(without WRIM\) \(PDF\)](#)
- [July 10, 2018, Aquarion vs. Town Ownership Cost-Comparison Model \(with WRIM through 2021\) \(Excel File\)](#)
- [July 10, 2018, Aquarion vs. Town Ownership Cost-Comparison Model \(with WRIM through 2021\) \(PDF\)](#)



Advisory Water Company Sub Committee 2/27/19

2019-02-27 Advisory Water Company Sub Committee



Water Company Acquisition Study 1/23/19

2019-01-23 Water Company Acquisition Study Committee



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