

Selectboard Regular Meeting via Zoom
Monday, October 17, 2022

1. CALL TO ORDER SELECTBOARD REGULAR MEETING

- a. Roll Call - Chairman Bannon opened the meeting at 4:15pm. Roll call: Ed Abrahams, “aye,” Steve Bannon, “aye,” Leigh Davis, “aye,” Eric Gabriel, “aye,” Garfield Reed, “aye.”
Additional attendees: Town Manager Mark Pruhenski

2. SELECTBOARD ANNOUNCEMENTS

- a. S. Bannon made a statement: the purpose of today’s meeting is three-fold: to update our residents, the Housatonic Water Works (HWW) customers, on our progress; to resume meeting in public session until such a time that executive sessions are again required; and to hear from the company that own and operate the nearest privately owned utility company, Aquarion Water Company, owners of the Sheffield Water Company. In summary, this Board has been meeting in executive sessions with Town Counsel for several months now to discuss the five options for moving forward. At this time, the Selectboard has narrowed that list to two preferred options, but will revisit any or all options if and when necessary. The two options are: facilitating a merger of our two town water systems HWW and Great Barrington Fire District (GBFD) and number 2, a private utility purchase by a company capable of providing consistently clean and safe drinking water and with the expertise and capital resources required to accomplish those goals. Each of those two options brings its own unique pros and cons. For example, option one, a merger would require the Town to first acquire HWW and negotiate a merger with GBFD. The cost of acquisition would require approval from voters Town-wide, but this option would provide long-term control over our water resources and position us well for state/federal infrastructure funding if and when it becomes available. Option two, a private utility purchase, would likely happen on a faster timeline without the need for any investment by the Town or approval from voters. It is also possible that rates would not be or only minimally be impacted as a result. That said, our meeting today is just the first in a series of public discussions - we intend to extend an invitation to the GBFD Prudential Committee for a meeting in the coming weeks as well. We do not intend to invite public questions at this time, but feedback can be shared during citizens speak time, as always. We plan to conclude the meeting no later than 5:45pm to reset the room for the Parks Commission meeting at 6:00pm.

3. CONVERSATION WITH AQUARION WATER COMPANY

- a. Adam Simonsen and Nick LaChance, Directors of Business Development at Aquarion presented – providing an overview of the company and perspective on the water industry including Aquarion’s 800,000-person customer base in 72 New England cities/towns, its ongoing investment in water system capital improvements, its commitment to offering an exceptional and affordable water product and its high-level customer service. A. Simonsen noted Aquarion’s reputation for maintaining exceptional water quality and noted this year Aquarion would invest \$150m in capital projects that proactively address water quality and reliability measures in their service areas. N. LaChance outlined recent Aquarion acquisitions stating 87 systems have been acquired many of which were small and could be considered nonviable and requiring considerable capital investment. He also noted the high fixed cost of water systems and the benefits of economies of scale.

A. Simonsen stated based on public information on HWW, there are many issues with product quality and a desire to address those by raising rates that pushes the limits of affordability. He stated Aquarion can make substantial capital investments and improve water quality without the immediate need to raise rates. He stated while he could not promise rates would not increase in the future, by lowering operating costs and leveraging a larger company, Aquarion can better address affordability issues. He stated the manganese, HAA5 and distribution system issues seem substantial, but the extent of capital needs/projects will have to be assessed – and commended he would consider HWW’s request for a 100% rate increase as unacceptable.

A. Simonsen stated re: valuation - the net book value of HWW system is \$1.8m - and there is considerable risk in the purchase due to its small size, water quality issues and affordability challenges. He noted risky purchase transactions like this tend to be very close to net book value with little premium. He also addressed an Aquarion water system incident in MA explaining the cause/equipment malfunction and the company’s rapid response to reach out to customers and rectify the situation.

b. S. Bannon opened Q&A with the Selectboard and Aquarion –

- i. E. Abrahams asked about Aquarion’s footprint and its perspective on return on their investment – A. Simonsen stated Aquarion has 9,000 customers in MA under Aquarion MA and is regulated by DEP/DPU – there is also Aquarion of CT and two companies in New NH. A. Simonsen explained that for return on investment, when a company looks to set/increase rates, it submits to regulators a revenue requirement which meets the cost of providing service. Rates are set at a level that gives a water company the opportunity to earn return on equity based on its investment. He noted much of the profit is put back into the system for capital reinvestment and a piece goes to shareholders which provides a return and lowers the cost of capital. He stated in a merger situation, the DPU is careful not allow rate payers to subsidize work – the water company is required to improve the product quality and infrastructure to meet its usual standards, and once on equal footing, there is benefit from economies of scale with everyone sharing the risk across systems. He noted a larger entity, like Aquarion, has better purchasing power, inhouse expertise and lower operating expenses than HWW does currently. He also stated according to DPU reports, HWW’s operating expenses and revenue are not meeting the cost of services so a rate increase is required for any capital investment – in contrast, N. LaChance added, for Aquarion, any rate adjustment would be subsequent to capital work being completed.
- ii. E. Gabriel confirmed Aquarion’s approach is to fix the system/improve water quality first before a rate increase. A. Simonsen stated a rate increase might not be required – Aquarion must first understand capital needs and how to address them over the long term. He noted the goal is to stay far below the water quality threshold so not to impact public confidence or regulator concerns.
- iii. E. Gabriel asked about Aquarion’s view on the Town’s engineer’s report that notes the standard for water companies is to replace infrastructure every 50 years – A. Simonsen replied that is not exactly accurate as infrastructure can age at different rates and items like pipe are evaluated based on the likelihood and consequences of failure – i.e., larger older pipe would be a priority, but there would be a bigger overall long-term plan on how to replace infrastructure and address affordability.

- iv. E. Gabriel asked about phases for upgrading infrastructure and what changes would be

made – A. Simonsen replied the company would not go forward with the purchase without knowing that and the risks. He noted the long-term challenge with the manganese issue as there is no MCL, but it is a product no one wants to use - and HAA5 is tricky to balance, but needs to be managed to avoid spikes in summer – and stated the green-sand filter pilot is a four-season project with no shortcuts. He commented that overall, the system needs to be changed so it is easier to operate.

- v. E. Gabriel asked about Aquarion’s approach to repairing watermain breaks/pipe replacement – A. Simonsen replied Aquarion tends to replace pipe in a cost-effective way and considers the risks – i.e., the likelihood failure and its consequences.
- vi. L. Davis asked how Aquarion would build trust in the community – A. Simonsen replied the approach is to manage issues quickly and provide exceptional customer service – along with public outreach, answering customer questions and involvement in the community.
- vii. L. Davis asked if Aquarion has taken advantage of the state revolving loan fund - A. Simonsen confirmed it has in the past where it makes sense - and has an easier time obtaining financing due to its history and size/scale.
- viii. L. Davis asked about Aquarion’s relationship with Eversource – A. Simonsen confirmed it operates independently of the parent company, but shares back-office services for cost savings. Eversource also provides a large balance sheet to help with financial resiliency.
- ix. L. Davis asked about the effectiveness of the green-sand filter for the manganese issue – A. Simonsen replied he cannot comment, but nothing indicates it is the wrong approach.
- x. G. Reed asked about Aquarion’s ranking – A. Simonsen explained it performs an annual customer satisfaction survey and results show 90% of customers satisfied/very satisfied. It is also ranked second/third in northeast utilities by JD Powers.
- xi. G. Reed asked about the rate increase process – A. Simonsen replied it is a detailed process involving an application to the DPU which determines if the rate is just/reasonable based on operating expenses and capital investment. E. Abrahams added the Town can intervene/has standing to express an option - also the Attorney General is party to the case and the public can weigh in. A. Simonsen also stated historically, it has managed affordability and is accountable to the DPU not to vary from stated rate increase.
- xii. S. Bannon noted the state’s perspective is brown water is an aesthetic problem – he asked if Aquarion would be concerned about brown water – A. Simonsen replied it is not an acceptable product.
- xiii. E. Gabriel asked about the positioning of a public vs private water utility in light of climate change and scarce water resources - A. Simonsen clarified water sources are held in trust by the state and permission must be granted to take, use and deliver it. He noted it is an increasingly technical business and it does not always make sense for municipalities to handle that - and he noted the importance of scale stating the smaller you are in size and staffing the harder it is to address complex requirements. Aquarion noted that private companies can be more flexible to quickly solve problems, control costs and manage affordability – and he noted Aquarion has as good a service record as any municipal system.
- xiv. L. Davis asked about the logic of an emergency interconnect with GBFD – A. Simonsen stated that it makes sense for reliability.
- xv. L. Davis asked if Aquarion was ever turned down for a rate increase – A. Simonsen replied it involves a full audit, but there can be differences of opinion – and rate increase requests can be reduced.

- xvi. E. Abrahams asked what is the go forward process? S. Bannon clarified the Selectboard/

Town has no say, but can help the public understand the options. He noted there will be a press release issued regarding the process.

S. Bannon stated there are 6 panelists and 47 attendees at the meeting.

4. CITIZEN SPEAK TIME

- a. Anne Crofut, 210 Cottage Street, stated in the opinion of Housatonic residents, state agencies have not provided sufficient oversight. She expressed concerns about private companies' interest in repayment for investments and asked if it would ultimately be the responsibility of customers.
- b. Anne O'Dwyer, 26 Kirk Street, thanked the Selectboard for the dialogue, and asked for consideration of short-term solutions to brown water issues. She also asked if there is a timeline for the next meeting and open meetings with the public – S. Bannon replied the Town is working on potential short-term remedies.
- c. Sharon Gregory, 32 Hollenbeck Avenue, asked about Aquarion's interest in HWW as it is not as profitable and much higher risk than the company's other purchases. She also asked that the Housatonic water situation be looked at in the context of larger Great Barrington water needs so all of the Town is best served.
- d. Amelia Berg, 28 Kirk Street, asked if the purchase of HWW is between Aquarion and Mercer – S. Bannon confirmed HWW is a private company – they must want to sell and Aquarion must want to buy. He stated the Town has no role except to offer advice and provide a forum. He noted Aquarion has showed a lot of openness.
- e. Janice Gildawie, 185 Christian Hill Road, stated replacing water lines not only requires digging up pavement - pipe also runs through private property. She noted bottled water/jug refill stations do not help with brown water for bathing and household use.
- f. Warren Palmer, 85 Van Deusenville Road, stated it would be helpful to have information about drilling wells and whole house water filters – and asked for a timeline to address this urgent situation. S. Bannon replied the timeline is not in the Town's control, but the Selectboard is moving forward as quickly as possible.

5. SELECTBOARD'S TIME

- a. E. Gabriel thanked Aquarion for listening to citizen concerns and questions.

6. MEDIA TIME – No media requested to speak.

7. ADJOURNMENT - Chairman Bannon adjourned the meeting by unanimous consent at 5:32pm.

Respectfully submitted,

Stacy Ostrow, Recording Clerk