

CITY'S ANSWERS TO QUESTIONS RAISED AT PUBLIC HEARING

RE: POTENTIAL SALE OF THE ANSONIA WATER POLLUTION CONTROL FACILITY AND OPERATION

1. Was a Request for Proposals (RFP) sent out?

The City has followed an extensive public process. This included a public RFP for appraisal services issued on 4/26/23 ([link](#)), an RFQ to seek qualified utilities authorized by the Board of Aldermen on 8/8/23 and issued on 12/16/23 ([link](#)), approval by the Board of Aldermen of Aquarion's qualifications on 02/13/24, and the approval on 04/09/24 by the Board of Aldermen to move the issue to a public hearing.

2. Was the Water Pollution Control Authority (WPCA) board informed?

The WPCA meeting minutes from January 3, 2024, Feb 7, 2024, and Mar 6, 2024 indicate discussion about the possible sale of the WPCA. Additionally, three members of the Board of Aldermen serve on the WPCA board to help ensure a flow of information. In addition to the approvals associated with the above question, the possible sale of the WPCA was discussed at the Board of Aldermen meetings on 5/9/23, 6/13/23, 8/8/23, and 2/13/24.

3. What would cause the rate to potentially jump 157%, as projected by the City in the event that the sale does not occur?

If the City continues to own and operate the wastewater system, it will need to raise rates primarily to fund additional staff and capital improvements at the wastewater treatment plant, 14 pump stations and 65 miles of collection system sewers. The operations staff for both the treatment plant and collection system has been severely under-staffed for years. Operations are reactive with no ability to perform preventive maintenance. Maintenance and repairs continue to be deferred each year, and multiple unit operations have failing equipment that eliminate designed redundancies or are on the cusp of failure.

	Y0	Y1	Y2	Y3	Y4	Y5	Total
Ansonia	\$41.47	\$71.74	\$73.90	\$76.11	\$78.40	\$80.75	\$5,068

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Improved Staffing

Deficient staffing levels has made proactive preventative maintenance very difficult. A preventative maintenance program will add additional costs to bring staffing levels up to industry standards. This program will also create additional costs for materials and supplies.

The lack of staffing is also highlighted in a formal Notice of Violation (NOV) (WRMU23005) from the CT Department of Energy and Environmental Protection. Among the issues highlighted in the NOV include the system being more than 20 months out of compliance with the requirement to employ a Class IV operator, failing to employ a Class III shift operator, as well as a warning about overall staffing levels. The staffing level of only three full-time operators during the Aquarion site visit is significantly inadequate.

The City has consistently tried to recruit additional staff, but both attracting new operators and a high rate of turnover has been troublesome, despite industry competitive compensation, and guaranteed employment in event of a sale of the system. To fill the gap, the existing operations staff worked almost 800 hours of overtime and earned over \$55,000 in overtime and double time compensation during the last fiscal year.

Staff Member	Overtime	Double Time	Total Over Time
Jason St. Jacques	\$39,804	\$6022	\$45,826
Sean Devlin	\$5,255	\$402	\$5,657
Marcello Boanno	\$4,244	\$788	\$5,032

Contributing factors to recruitment are likely linked to an overall statewide shortage of licensed operators, overall condition of the plant, and/or required overtime. Aquarion recognizes the challenges with finding and recruiting licensed operators and has an internal professional development program to train and license new operators and has a Class IV operator that could be assigned to Ansonia. Additionally, multiple Class IV operators working at other municipalities have reached out to Aquarion about employment opportunities if the company acquires the Ansonia system.

Capital Improvement Plan

Historically the WPCA has not implemented a systematic 10-year capital improvement plan (CIP) for identifying pro-active upgrades or for replacing pumps, mixers, chemical feeds throughout the treatment plant. Industry guidelines specify that critical equipment throughout a treatment facility (such as pumps, mixers, blowers, chemical feed pumps, sludge processing equipment, odor control operations, etc.) should include one standby unit in addition to the facilities required to handle peak design flows and loads. Numerous operations were observed without standby units in the event of

additional failure. In addition, only limited repairs and maintenance have been performed within the sewer collection system.

The capital improvements required at the plant include:

- Replacement and/or repair of 1 grit pump (only 1 of 2 is functioning and there is currently no standby pump);
- The headworks includes a single mechanical screening operation that is functional, but the screens are approaching the end of their useful life, and their condition does not indicate that any preventative maintenance has been performed on them. Operators expressed concern about the continued operation of the screens and noted they believe the screens should be replaced in the near-term;
- Modification of the suction piping at primary clarifiers needs to be implemented to allow all 4 primary clarifiers to withdraw primary sludge. A recent replacement of inadequate sludge pumps does not allow primary sludge to be removed from 2 of the clarifiers and limits their use to wet weather equalization. Broken primary sludge pumps have not been replaced and no standby pumps exist. Additionally, the local control panels at the primary clarifiers do not function and they can only be operated from the SCADA computer in the operations building;
- Repairs and upgrades to the oxidation ditches and its effluent weirs will need to be implemented. The current configuration does not allow for either oxidation ditch to be taken offline for maintenance. The result is that neither oxidation ditch has ever been drained for preventative maintenance or to remove accumulated solids. Further, under current flows and loads it is possible that only one oxidation ditch is necessary to provide biological treatment, which could result in significant cost savings;
- The relatively new alum dosing system for phosphorous removal was clogged with precipitates either due to poor design or a lack of maintenance and has been bypassed. In its place temporary piping is being used and the dosing of chemical is not flow paced. The current temporary configuration has resulted in a permit violation during its seasonal start up, is not likely to be able to comply with more stringent phosphorus limits in the pending permit renewal and uses more alum than needed;
- At least three mixers in the post anoxic zone have failed and have not been replaced. Replacement requires a crane and because all the mixers appear to be at the end of their useful life, they should all be replaced in a single project to eliminate duplicate costs associated with a crane rental. Operations staff reports that that the channel across the pre-anoxic tank is not water-tight and has resulted in shorting out of the electrical service in the past. This should be repaired;

- At least 2 return activated sludge and/or waste activated sludge pumps are not functioning and need to be repaired or replaced. There are currently no standby pumps onsite;
- Only one secondary clarifier was functioning during Aquarion's site visit. Operations staff reported that the drive gear was inoperable and had no time frame available as to when it would be repaired. If there is a similar equipment failure on the currently functional secondary clarifier, the treatment plant would immediately be in violation of its NPDES permit. The repairs to the secondary clarifier are critical and should have been implemented in a timely manner as soon as the clarifier became inoperable; and
- Upgrade of the UV system.

The following capital repairs are required: replacement of the effluent bypass actuator, replacement of valve chamber actuator, install sump pump at valve chamber, and waterproof the valve chamber. Additionally, it is recommended to install a USGS river gauge near the effluent outlet and connect its reading to the SCADA system to allow automated operation. The broken pumping system represents a significant risk of the wastewater backing up throughout the plant causing significant damage to the facility and could result in sewer overflows.

Note that much of the inoperable equipment does not appear to have been communicated to the WPCA in a standardized or documented fashion, creating additional challenges to manage the operations and prepare appropriate operational and capital budgets.

In addition to the proposed capital improvements at the plant, a more proactive capital program is needed to repair the miles of collections system piping below city streets. Under normal conditions the plant receives 1.5-1.7 million gallons a day of wastewater, but during rainstorms, flows can peak as high as 7 million gallons per day. The rainwater that flows into the collection system must be treated with the sewage at enormous expense.

The wastewater study performed by the Naugatuck Council of Governments (NVCOG) recommended \$10.3M in improvements to the Ansonia collection system to try and lower the amount of rainwater entering the system.

The City has been performing CCTV inspections of pipe and much of the pipe is in good structural condition, but there are many pipe joints failing and significant root intrusion. These conditions lead to a significant amount of rainwater entering the system (adding to treatment costs) and will lead to pipe collapses and blockage that will have to be repaired on an emergency basis. A proactive pipe lining program can be accomplished for between \$100 and \$200 per linear foot and an annual budget of \$1-\$2 million will allow for the reduction of I&I and to prioritize repairs before they become emergencies.

4. Why are we paying to repair the secondary clarifiers?

Having two secondary clarifiers is an important part of the treatment process to provide treatment redundancy. Aquarion asked for this to help ensure the City provides critical maintenance to keep the facility functioning within its permit before the close. *(See previous question for more detail on the clarifiers.)*

5. How does the stabilization account work?

The City is agreeing to set aside \$7 Million to mitigate the rate increases needed to appropriately operate, maintain, repair, and upgrade the sewer system. This account is referred to as the Rate Stabilization Fund (“RSF”). The RSF mitigates the large rate increase that would otherwise be needed.

Rate stabilization is guaranteed to produce the following all-in rate (inclusive of ALL charges) for FIVE YEARS is as follows:

	Y0.	Y1.	Y2.	Y3.	Y4.	Y5.	TOTAL
Aquarion	\$41.47	\$41.47	\$42.72	\$46.14	\$53.06	\$55.71	\$2,869

Further, the \$7 Million stabilization account can be utilized to mitigate rate increases for up to TEN YEARS into the future, as necessary.

6. Does the WPCA have an alternate plan for rates or capital needs going forward?

The WPCA has not historically maintained a long-term capital budget. The system is facing numerous pressing needs, including substantial capital investment, that would need to be funded by ratepayers if Aquarion does not purchase the system.

7. Who controls PURA?

PURA is a state agency that is charged with regulating public utilities and ensuring that Connecticut's investor-owned utilities, including the state's electric, natural gas, water, and telecommunications companies, provide safe, clean, reliable, and affordable utility service and infrastructure. PURA is a quasi-judicial agency that interprets and applies the statutes and regulations governing all aspects of Connecticut's utility sector. Among other things, PURA sets the rates charged by investor-owned utilities, ensures adequate system infrastructure investments, reviews mergers and acquisitions, and provides education and outreach for consumers. PURA is led by three commissioners ([Marissa Paslick Gillett](#), [John W. “Jack” Betkoski III](#), [Michael Caron](#)), each appointed by the Governor and confirmed by the state legislature.

8. Is the value of the piping underground included in the purchase price?

The value of all the underground piping is included in Aquarion's offer and the appraisal. The net book value of the collection system piping is approximately \$3.4M, with much of it heavily depreciated due to its age. With the repairs needed are factored in the valuation of the pipe, the City views the collection system as a net liability.

9. Can they add a delivery charge like electric and gas utilities?

No – such a charge does not exist in water and wastewater utilities. Aquarion will be bound by the contract that is signed with City. It cannot adjust the rates or collect any additional charges without first filing a rate case with PURA and subsequently PURA granting its approval.

10. What happens to the camera truck and the vac truck?

Both the vacuum truck and the camera truck are assets of the city and will remain a part of the city fleet.

11. What will happen with the solar array?

The solar array is not part of the wastewater system and will be retained by the City.

12. Will the exemption for Ansonia Housing Authority (AHA) remain?

The Ansonia Housing Authority does not have an exemption. Instead, it makes a Payment In Lieu of Taxes (PILOT) to the City that is a percentage of the rents that it collects. The City then remits 50% of the PILOT to the enterprise fund for the sewer system. The funds transferred to the sewer system are very close to actual rate that would be charged for sewer services absent the PILOT arrangement. After a sale, the City would propose to amend its agreement with the AHA so the payment associated with its sewer bill and PILOT to the City would be roughly equal to the PILOT payment it makes today.

13. Why is the City proposing a property tax exemption for Aquarion?

Property taxes are always included in the rates charged by a private utility and are passed on to ratepayers. The tax exemption that would be granted to Aquarion would eliminate the pass through further helping to stabilize rates. Additionally, wastewater treatment infrastructure is exempted from personal property tax by state law. *It is important to understand that the operation of the system does not presently account for payment of taxes as an expense line; therefore, the addition of such a line would necessarily increase the budget and risk a raise in rates.*

14. What WPCA parcels are not being purchased?

The City is granting Aquarion easements over land, giving the City long term control over the property. If at any point in the future, the land is not needed for wastewater infrastructure, rights to the property would revert to the City of Ansonia.

15. Bonding authorization vs. Bonding

The City has not yet borrowed for the bonding and projects authorized during the November 2023 referendum due to high interest rates. The sale of the WPCA could allow the City to complete many of the authorized projects without the need to sell bonds, saving millions in interest costs in future years. It is important to note that (if approved by referendum vote) the City can bond for the approved projects, but could also choose to fund those projects via other, more financially responsible means as well; however, without pre-bonding authorization (achieved via the positive referendum vote), the City does not have that option. *The referendum is merely granting*

“permission” to borrow, but does not mandate the City to borrow should they find more financially responsible means of paying for the project.

16. Should we be using the Education Reference Group (ERG) to compare like towns?

ERG is used to compare socioeconomic criteria for education funding and is not traditionally used to compare the funding of infrastructure. Rates within the ERG do vary widely with a low of approximately \$16/mo to \$55/mo.

The most recent comprehensive statewide survey of sewer rates was performed in 2019 by the engineering consultant Tighe and Bond and found that the median monthly bill was \$38.90.

17. Why have employees not been replaced?

Staffing challenges are addressed in the answer to question 3.

Additionally, existing staff have to date been unable to meet the testing requirements required by the State of Connecticut to qualify for the Class IV license.

As part of their proposed purchase, Aquarion has developed a plan to address staffing of the wastewater system. First, Aquarion will make offers of employment at comparable pay and benefits to all current Ansonia WPCA staff. The City will retain WPCA staff members who do not wish to join Aquarion. Secondly, Aquarion plans to increase staffing at the plant, which will both bring new jobs to Ansonia and bring the plant in line with industry staffing standards for wastewater facilities.

18. How will rates change as a result of an Aquarion purchase?

Information regarding the rates has been included with the proposal and can be found on page 4 at: [https://www.cityofansoniam.com/filestorage/8192/8194/8212/Aquarion Ansonia Offer Supporting Info 040324 %281%29.pdf](https://www.cityofansoniam.com/filestorage/8192/8194/8212/Aquarion%20Ansonia%20Offer%20Supporting%20Info%20040324%20%281%29.pdf)

These estimates are based on a redesigned rate structure that includes a fixed charge, an annual consumption of 45kgal per year, and use of the rate stabilization fund. The rate stabilization fund will be utilized over a period of 10 years to keep rates low and any future rate increases needed to cover the costs of running the operation. The use of the rate stabilization fund will be tapered over 10 years, so that at the end of the 10-year period, there will not be any dramatic increases.

Once Aquarion owns the system they will not be able to raise the rates unless they file a general rate case with PURA and PURA approves the rate case. PURA will limit any rate increase to only what is absolutely necessary to allow the investment needed and to cover the operating costs of the system.

19. What impact will inflation have on rates going forward?

Inflation is one of the primary causes of the upward pressure on rates. If Aquarion wants to raise rates beyond what is included in its contract with the City of Ansonia, it will need to petition PURA and demonstrate that it has taken every action possible to mitigate inflationary pressures.

20. When will special project bills end and what happens next?

It is unlikely that special project bills will ever cease under City ownership. Wastewater infrastructure needs consistent upgrades. The WPCA has avoided additional borrowing by deferring maintenance and repairs with the hope that the special project bill could end when the current loan is paid in full. This is a false hope. If Aquarion does not purchase the system and the City retains the WPCA, based on the current condition of the plant (see Question 3), would require additional borrowing by the City and for the special project fee bill to increase.

21. What is rate money used for?

Money from rates is used to fund the entire cost of providing wastewater collection and treatment. This includes the costs to provide staffing, sludge disposal, electricity, billing and collections, and the financing of all infrastructure.

22. Was facility upkeep done and if not, why not?

See the answer to Question 3.

23. What will we do with employees that stay with the City?

As discussed, there are only 4 city employees associated with the WPCA, two operators and two administrative staff. If those employees do not wish to join Aquarion, they will be assigned to other duties at the City.

24. What happened with the WPCA fund balance?

The WPCA fund balance is in place and will fund the RSF.

25. Why was a code red “robo” call not done to notify about the public hearing?

The hearing was duly noticed multiple times in the newspaper, listed on the City’s website, published to the Valley Indy, and promoted on social media channels. There was a strong turnout at the public hearing.

26. Can there be another public hearing with questions asked in advance?

Staff is available at City Hall to answer any resident questions. Please call the Mayor’s office at (203) 736-5900 to make an appointment to visit in person or a phone call.

27. Why does this not go out to referendum?

The City’s charter directs the Board of Alderman to make decision on the sale of assets. The City is following the same process it has used in the past to sell assets.

28. How will the \$5 million prepayment work?

Once a definitive agreement has been executed, the City will receive an upfront payment of \$5,000,000. This payment will come from the existing sale price. Should Aquarion decide to pull out from the deal after that point, the City would be able to keep the money. Should the City pull out from the deal, it would need to return the funds.

29. Why is WPCA fund balance not being given back to the rate payers?

Through the RSF the WPCA fund balance will be used to address costs associated with increased staffing and capital improvements, mitigating rate increases.

30. What are we paying for sludge vs. what the contract has us down for?

The City is still operating under a contract for sludge disposal that remains in effect through the end of 2027. Since that contract was signed, the cost of sludge disposal has increased dramatically. Once the contract expires the owner of the sewer system (either Aquarion or the City) can expect disposal costs to increase by approximately 50%

31. What is the actual benefit to the taxpayers?

This proposed sale stabilizes user rates; grows the fund balance; reduces existing debt; and could be used to pay outright for projects (for example, 3 fire trucks, road paving, middle school land purchase) in cash to avoid significant borrowing costs; finance much of the construction of the middle school; and keeps the mill rate low for the foreseeable future.

32. What happens to streets without sewer currently?

After a sale the City would retain the right to define which streets in the City would receive public sewer services. If the City chose, it could act as a developer to expand the sewer system. Aquarion would not have the authority to expand the system without both authorization and direction from the City.

33. What happens if the deal doesn't work for the City or Aquarion?

While both parties are looking for a long-term solution, the City will always retain its legal right to utilize eminent domain to repurchase the property and sewer operation at fair market value to protect its residents and ratepayers.

34. Was a consultant used by the city to review the offer?

Following an RFP, the City used the services of ScottMadden, a management consulting firm, to provide a detailed appraisal of the system. Their 233-page report ([link](#)) served as a road map for the City senior staff to evaluate and negotiate an offer from Aquarion.

Additionally, the Naugatuck Council of Governments (NVCOG) prepared a report ([link](#)) on future investment needed for the Ansonia Water Treatment Plant into a 2019 Regional Wastewater Treatment Consolidation in the event that regional consolidation was not accomplished ([link](#)).

The study projected that most mechanical equipment upgrades would be required by 2030.

Table A-2 Ansonia Wastewater Facilities Base Case Condition Capital Budgetary Needs

Ansonia Wastewater Capital Projects	Project Cost (2019 \$)
Water Pollution Control Facility (WPCF)	\$ 15,000,000
Collection System (CS)	
Subtotal for Years 1-5 (System Renewal @ 2.0%/yr. = \$828,000/yr.)	\$ 4,100,000
Subtotal for Years 6-20 (System Renewal @ 1.0%/yr. = \$414,000/yr.)	\$ 6,200,000
Large Pumping Stations (PS)	
Allowance for Pumping Station Upgrades through 2040	\$ 3,000,000
TOTAL: WPCF + CS + PS	\$ 28,300,000