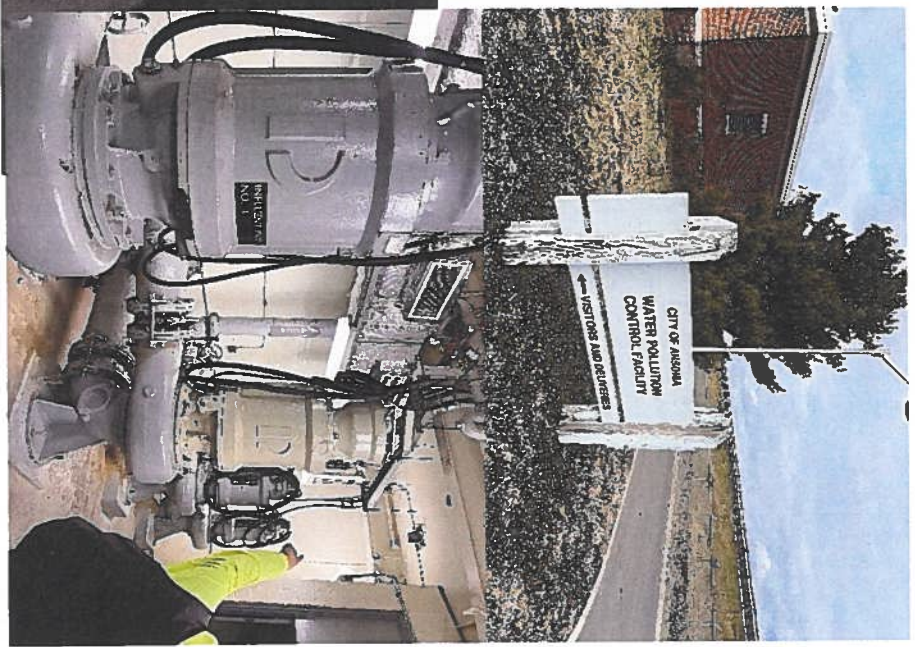
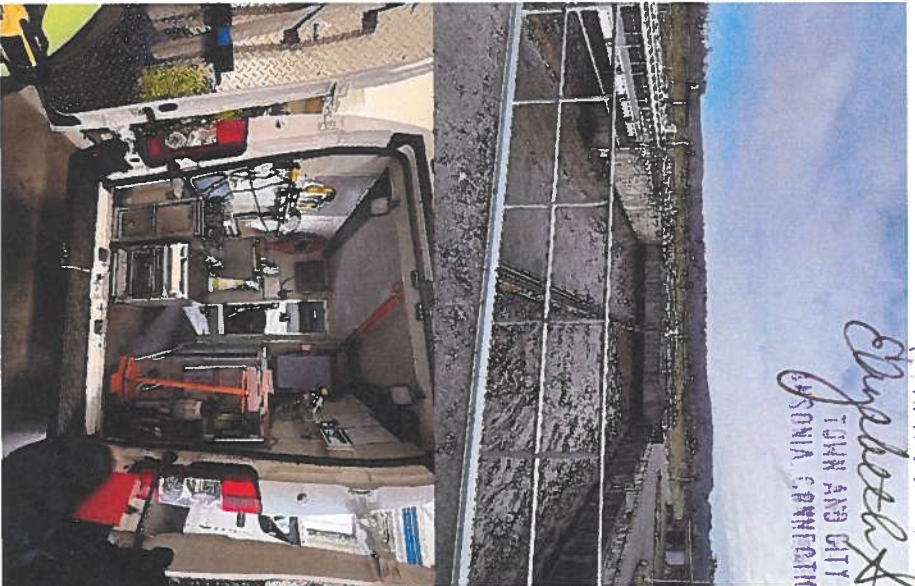


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*Michael J. Hyatt*  
TOWN AND CITY CLERK  
ANSONIA, CONNECTICUT



# City of Ansonia Wastewater System

# Valuation

- Aquarion Offer: \$56 Million (\$41.0M upfront cash payment, \$15.0M additional capital investment during the first 5 years)
- Significant upward pressure on operating expenses
  - Preventative maintenance is not being performed
  - Staffing is the subject of a CT DEEP Notice of Violation
  - Collection system maintenance is subsidized by the general fund (DPW)
  - Market for sludge disposal have increased 50% in the last 5 years
- Immediate capital needs
  - Multiple unit processes have malfunctioning equipment that needs to be repaired asap
  - Redundancy of processes is severely diminished
- CT regulatory model does not support fair market value
  - Noted in the appraisal: *"In addition, the WPCA is based in Connecticut, which has not enacted fair market legislation. Because this limits an acquiring utility's ability to set rates based on costs, it is ScottMadden's opinion that interested parties' bids at the top end of the range for the WPCA will be unlikely"*

# Benefits Under Aquarion Ownership

- **Running a utility is costly and risky**
  - City needs to raise rates to fund increasing O&M and capital needs
  - Costs rising faster than inflation and hard for government run utilities to gain efficiencies
- **Increase staffing at the plant**
  - It is difficult for the City to attract and grow a team of qualified operators
  - All existing staff will be retained with equal or better pay/benefits
  - Satisfy CT DEEP Notice of Violation related to staffing
- **Investments in system improvements**
  - Complete deferred maintenance backlog
  - Proactive repairs to aging collection system
- **WPCA fund balance will become a rate stabilization fund (RSF)**
  - Utilized over 10 years
  - RSF will mitigate needed rate increases
- **Introduce Customer Assistance Programs**
  - Low Income Rate Assistance Program – 15% on-bill discount for eligible customers
  - Flexible Payment Plan and voucher program



# Rate Projection<sup>1</sup>

- Ansonia increases rates 38.0% before close, but offset by RSF
- RSF tapers over 10 years-avoid large increases
- NVCOG<sup>3</sup> projected a rate of \$67/month
- Aquarion's history of rate stability:
  - Aquarion: \$45.31/month<sup>4</sup> for drinking water
  - Ansonia (from Regional Water Authority): \$55.58/month<sup>4</sup>
- Average homeowner saves over \$850 during the first 5 years when sales proceeds are considered

Single Family Bill Estimate

	Est. Monthly	
	Bill	Increase
Today	\$ 41.47	
2025	\$ 41.47	\$ -
2026	\$ 42.72	\$ 1.24
2027	\$ 46.14	\$ 3.42
2028 <sup>2</sup>	\$ 53.06	\$ 6.92
2029	\$ 55.71	\$ 2.65

1- Based on average Ansonia billed water consumption used for calculation of sewer bill—45 kgal/yr  
 2- Assumes the filing of a General Rate Case with the CT Public Utilities Regulatory Authority  
 3- The NVCOG regionalization study in 2021 projected a year-1 bill of \$67/month for single family homes in Ansonia using 45 kgal per year of water. This estimate incorporated all anticipated savings from government run regionalization. Gross bill in Y1 under Aquarion projected to be \$57/month.  
 4- Based on an average annual drinking water use of 60kgal/year

## TERM SHEET

<b>Seller</b>	City of Ansonia, Connecticut
<b>Buyer</b>	Aquarion Water Company of Connecticut
<b>Form of Acquisition</b>	Purchase 100% of the wastewater assets currently owned by Seller, excluding certain parcels of real estate, cash, and accounts receivable.
<b>Asset Purchase Agreement</b>	Seller and Buyer will enter into a definitive Asset Purchase Agreement (“Definitive Agreement”) providing for the Acquisition and related matters.
<b>Purchase Price</b>	Total enterprise value of \$41,000,000 to be paid in cash at the time of closing. Further, Buyer will agree to make capital investments totaling at least \$15,000,000 during their first 5 years of ownership.
<b>Financing Contingency</b>	None. Buyer to finance the Purchase Price using internally generated cash.
<b>Transaction Expenses</b>	Buyer and Seller shall each pay their own expenses in connection with the Definitive Agreement and the transactions contemplated thereby.
<b>Employees</b>	Buyer will provide all current employees of Ansonia WPCA with offers of employment at comparable or better wages and benefits in the aggregate, subject to Buyer’s pre-employment background and drug screening protocols. Employees not choosing to join Aquarion will be retained by the City of Ansonia.
<b>Conditions Precedent</b>	<p>The transaction shall be subject to conditions precedent, including the following:</p> <ol style="list-style-type: none"> <li>1. No material adverse findings by the Buyer in the due diligence review.</li> <li>2. Approval by Buyer’s board of directors.</li> <li>3. Receipt of all other material necessary for appropriate governmental or third-party approvals, consents, registrations, or non-objections to be specified in the Definitive Agreement. Seller to provide support as needed for any required regulatory approvals.</li> <li>4. Approval and authorization by the City of Ansonia’s Board of Alderman for Seller to execute and deliver the Definitive Agreement.</li> </ol>
<b>Closing</b>	Transaction to close on the later of a date (i) on or after 90 days following the execution of the Definitive Agreement and (ii) within 30 days after receipt of all required regulatory approvals.
<b>Pre-Closing Covenants</b>	<p>Buyer and Seller agree to work together to identify easements that Buyer will acquire from the Seller necessary for the operation of the wastewater system.</p> <p>Seller will continue to operate the wastewater system consistent with industry best practices and without permit violation.</p> <p>Seller agrees to make repairs such that both secondary clarifiers are operational before closing.</p>

Buyer and Seller will coordinate to submit and execute a compliance plan to satisfy CT DEEP Notice of Violation WRMU23005 regarding staffing

**Rate Stabilization Fund** Seller agrees to use cash balance of the WPCA to establish a Rate Stabilization Fund ("RSF") in an amount equal to \$7 million. The RSF will be used to subsidize customer rates.

**Customer Rates** During the first 12 months of Buyer's ownership, customers will pay in aggregate the same amount for wastewater services. Seller shall, before or coincident with closing, increase annual base sewer rates by 38.0%; provided, however, that the RSF will offset the rate increase in Year 1. RSF will then decrease annually over a 10-year period on a mutually agreed upon schedule such that the subsidy equals zero in Year 11. Any adjustments to base rates after close by Buyer will require the approval of the Connecticut Public Utility Regulatory Authority.

**Property Taxes** Seller agrees to grant Buyer a 10-year real property tax exemption and to grant Buyer an exemption from personal property taxes consistent with C.G.S. §12-81(51).

**Accounts Receivable** Seller to retain all existing accounts receivable associated with the wastewater system.

**Purchase Option** For a consideration of \$5,000,000, the Buyer shall purchase a Purchase Option from the Seller, providing the Buyer with an exclusive option to purchase the wastewater assets. Buyer will execute the Purchase Option within 10 business days of the execution of the Definitive Agreement. Purchase Option shall be voided and refunded to the Buyer upon a breach of the Definitive Agreement by the Seller that results in the failure to close the transaction. The consideration for the Purchase Option shall be deducted from the Purchase Price.

**Customers** Customers will benefit by being served by a leading water utility with long-term history of rate affordability.

**Strong, Local** Buyer is the largest investor-owned utility in New England and headquartered in Bridgeport.

Buyer has strong history of making prudent capital investments while maintaining rate affordability.

Buyer is nationally ranked for its customer service.

**Expiration** These terms are valid through May 31, 2024.

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