

**North Hampton Investigates
Possible Acquisition
of
Water Utility**

14 November 2006

Warrant Article #1

(We move the warrant as follows – part 1)

“Shall the Town of North Hampton authorize the Board of Selectmen pursuant to RSA Chapter 38 to acquire that portion of Aquarion Water Company's (or its successors or assigns) plant and property, both within the municipal boundaries of North Hampton and outside of its boundaries, which the Selectmen (as advised by the North Hampton Water Commissioners) judge to be expedient and suitable for establishing a municipal water utility.”

Warrant Article

((We move the warrant as follows – part 2)

"Any purchase agreement or determination of purchase price for water utility property shall not be effective unless a future North Hampton Town Meeting votes to approve the purchase and appropriate the funds for the purchase (bond vote, 60% plurality required for passage). The vote on this warrant article is only the first step in that process and it does not irrevocably commit the Town to acquiring water utility property."

Outline of presentation

- Objectives of warrant article
- RSA 38 explained
- Why investigate the water company
- Water resource planning
- Public vs. private ownership
- Benefits from possible acquisition
- Financing acquisition
- Multi-step voting process
- Summary
- Discussion

WHAT is the objective?

- To authorize the Board of Selectmen (through the Water Commission) to investigate the pros and cons of a Town owned water utility and, if pro, the feasibility of acquiring Aquarion Water Company assets

RSA 38 explained

- Private utilities are monopolies allowed to serve the public only with our consent.
- Law allows towns to create and manage a municipal utility, to acquire private utilities assets.
- RSA requires "acquiring" language to 'start the ball rolling' so that the utility will comply with the town's information requests.
- Municipality asks Utility, in writing, within 30 days of YES vote if it wants to sell identified plant and property (RSA 38:6) - Utility replies in one of two ways (RSA 38:7)
 - 1) Utility agrees, submits price and other terms (RSA 38:7) and then within 90 days of a tentative agreement or a PUC decision, municipality votes on RSA 33-B "Revenue Bonds" (RSA 38:13)
 - 2) Utility disagrees, municipality files PUC Petition to determine (a) "public interest" for acquiring (RSA 38:10) & (b) costs (RSA 38:9)

WHY do we want to do this study?

- **Present day concerns about the operation of the private water utility**
- **Long range planning about what is best for future North Hampton water needs and resource protection**

WHY do we want to do this study?

- Surrounding town water rates
(average annual standard cost - 2004)

Exeter	\$225
Portsmouth	\$156
Rye	\$173
Seabrook	\$ 80
Aquarion (North Hampton)	\$453

WHY do we want to do this study?

- Per fire hydrant annual charges 2004

Exeter	\$140
Portsmouth	\$100
Rye	\$ 0
Seabrook	\$ 0
Aquarion (North Hampton)	\$1071

WHY do we want to do this study?

- Hydrant rate totals in North Hampton

	(total charges)	(each)
1994/1995	\$113,747	\$767
1995/1996	\$115,404	\$785
1996/1997	\$115,551	\$786
1997/1998	\$115,257	\$784
1998/1999	\$119,834	\$815
1999/2000	\$123,361	\$839
2000/2001	\$166,113	\$1130
2001/2002	\$158,476	\$1078
2002/2003	\$156,468	\$1064
2003/2004	\$156,959	\$1064
2004/2005	\$157,437 (est)	\$1067
2005/2006	\$157,437 (est)	\$1071
2006/2007	\$187,940	\$1278

=====
Total paid: \$1,843,984

HYDRANT INSPECTION REPORT

MUNICIPALITY NORTH HAMPTON HYD. NO. 607
 LOCATION PARK CIRCLE AT NORTH ROAD
 MAKE WATEROUS SIZE 4 1/4"
 2 1/2" NOZZLES 2 STEAMER NOZZLES 1
A-1214 SIZE SIZE BRANCH
 OPENS LEFT MAIN BRANCH 6" VALVE NO.

CONDITION	INSPECTION DATES		
	10/1/87	12/1/97	10/13/1999
PAINT	✓	✓	✓
CAPS	✓	✓	✓
CHAINS	✓	1-99 DIP	✓
STEM	✓	OK	✓
PACKING	✓	✓	✓
DRIP	✓	OK	12/2/00 ✓
TOP NUT	✓	✓	✓
VALVE	✓	✓	✓
VALVE SEAT	✓	✓	✓
CONDITION OF WATER	SMOKEY	OK	✓
MINUTES FLUSHED	10	3	2
STATIC PRESSURE	84	—	—
RESIDUAL PRESSURE	40	—	—
FLOW	980	100	100
INSPECTED BY	WB WB	MB WB	WB WB

CONDITION	INSPECTION DATES
PAINT	
CAPS	
CHAINS	
STEM	
PACKING	
DRIP	
TOP NUT	
VALVE	
VALVE SEAT	
CONDITION OF WATER	
MINUTES FLUSHED	
STATIC PRESSURE	
RESIDUAL PRESSURE	
FLOW	

HYDRANT INSPECTION REPORT

MUNICIPALITY NORTH HAMPTON HYD. NO. 620
 LOCATION #1 RED FOX AT DEER HWY
 MAKE MUELLER SIZE 4 1/2"
 1 1/2" NOZZLES 2 STEAMER NOZZLES 1
A-1279 SIZE SIZE BRANCH
 OPENS LEFT MAIN BRANCH 6" VALVE NO. 5121

CONDITION	INSPECTION DATES		
	12/15/97	10/31/98	12/20/01
PAINT	✓	✓	DPY
CAPS	✓	✓	✓
CHAINS	1-99 DIP	—	—
STEM	OK	—	—
PACKING	✓	✓	✓
DRIP	OK	✓	✓
TOP NUT	12/27/00	✓	✓
VALVE	✓	✓	✓
VALVE SEAT	✓	✓	✓
CONDITION OF WATER	OK	✓	✓
MINUTES FLUSHED	4	2	—
STATIC PRESSURE	—	—	—
RESIDUAL PRESSURE	—	—	—
FLOW	100	100	—
INSPECTED BY	MB WB	WB WB	DPY

CONDITION	INSPECTION DATES
PAINT	
CAPS	
CHAINS	
STEM	
PACKING	
DRIP	
TOP NUT	
VALVE	
VALVE SEAT	
CONDITION OF WATER	
MINUTES FLUSHED	
STATIC PRESSURE	
RESIDUAL PRESSURE	
FLOW	

HYDRANT INSPECTION REPORT

MUNICIPALITY NORTH HAMPTON HYD. NO. —
 LOCATION NORTH ROAD AT CHERRY RD
 MAKE M SIZE 4 1/2"
 2 1/2" NOZZLES STEAMER NOZZLES
 OPENS SIZE SIZE BRANCH
 MAIN BRANCH VALVE NO.

CONDITION	INSPECTION DATES		
PAINT			
CAPS			
CHAINS			
STEM			
PACKING			
DRIP			
TOP NUT			
VALVE			
VALVE SEAT			
CONDITION OF WATER			
MINUTES FLUSHED			
STATIC PRESSURE			
RESIDUAL PRESSURE			
FLOW			
INSPECTED BY			

CONDITION	INSPECTION DATES
PAINT	
CAPS	
CHAINS	
STEM	
PACKING	
DRIP	
TOP NUT	
VALVE	
VALVE SEAT	
CONDITION OF WATER	
MINUTES FLUSHED	
STATIC PRESSURE	
RESIDUAL PRESSURE	
FLOW	

DATE
 1-99
 1-99
 1-99

HYDRANT INSPECTION REPORT

MUNICIPALITY NORTH HAMPTON HYD. NO. 644
 LOCATION WINTERBERRY LANE AT LOT 14
 MAKE CLOW SIZE 4 1/2"
 2 1/2" NOZZLES 2 STEAMER NOZZLES 1
 OPENS LEFT SIZE MAIN 12 SIZE BRANCH 6 BRANCH VALVE NO. _____

CONDITION	INSPECTION DATES			
PAINT				
CAPS				
CHAINS				
STEM				
PACKING				
DRIP				
TOP NUT				
VALVE				
VALVE SEAT				
CONDITION OF WATER				
MINUTES FLUSHED				
STATIC PRESSURE				
RESIDUAL PRESSURE				
FLOW				
INSPECTED BY				

TW
FAST
1999

CONDITION	INSPECTION DATES			
PAINT				
CAPS				
CHAINS				
STEM				
PACKING				
DRIP				
TOP NUT				
VALVE				
VALVE SEAT				
CONDITION OF WATER				
MINUTES FLUSHED				
STATIC PRESSURE				
RESIDUAL PRESSURE				
FLOW				
INSPECTED BY				

FORM 277

HYDRANT INSPECTION REPORT

MUNICIPALITY NORTH HAMPTON HYD. NO. 589
 LOCATION SPURCE MEADOW DRIVE
 MAKE MUELLER SIZE 4 1/2"
 2 1/2" NOZZLES 2 STEAMER NOZZLES _____
 OPENS LEFT SIZE MAIN 8" SIZE BRANCH 6" BRANCH VALVE NO. 5090

CONDITION	INSPECTION DATES			
PAINT				
CAPS				
CHAINS				
STEM				
PACKING				
DRIP				
TOP NUT				
VALVE				
VALVE SEAT				
CONDITION OF WATER				
MINUTES FLUSHED				
STATIC PRESSURE				
RESIDUAL PRESSURE				
FLOW				
INSPECTED BY				

DATE
TO ST
1980

CONDITION	INSPECTION DATES			
PAINT				
CAPS				
CHAINS				
STEM				
PACKING				
DRIP				
TOP NUT				
VALVE				
VALVE SEAT				
CONDITION OF WATER				
MINUTES FLUSHED				
STATIC PRESSURE				
RESIDUAL PRESSURE				
FLOW				
INSPECTED BY				

HYDRANT INSPECTION REPORT

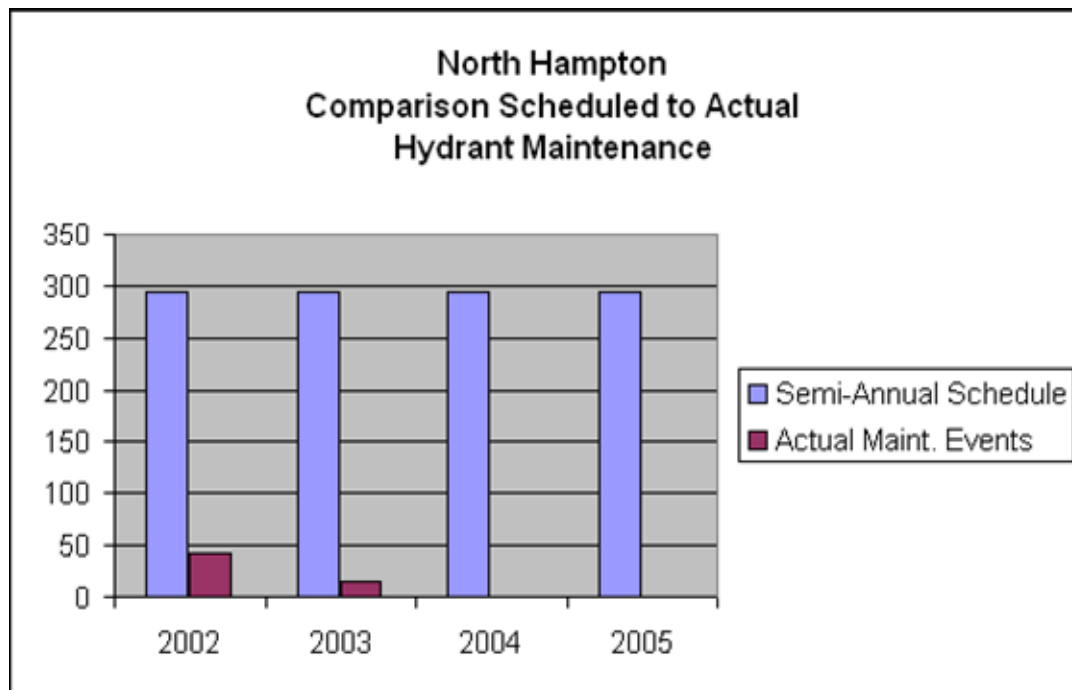
MUNICIPALITY NORTH HAMPTON HYD. NO. 646
 LOCATION EVERGREEN RD LOT 13 (BIRCH RD)
 MAKE MUELLER SIZE 4 1/2"
 2 1/2" NOZZLES 2 STEAMER NOZZLES 1
 OPENS _____ SIZE MAIN _____ SIZE BRANCH _____ BRANCH VALVE NO. _____

CONDITION	INSPECTION DATES			
PAINT				
CAPS				
CHAINS				
STEM				
PACKING				
DRIP				
TOP NUT				
VALVE				
VALVE SEAT				
CONDITION OF WATER				
MINUTES FLUSHED				
STATIC PRESSURE				
RESIDUAL PRESSURE				
FLOW				
INSPECTED BY				

DATE
FW
5091
2001

CONDITION	INSPECTION DATES			
PAINT				
CAPS				
CHAINS				
STEM				
PACKING				
DRIP				
TOP NUT				
VALVE				
VALVE SEAT				
CONDITION OF WATER				
MINUTES FLUSHED				
STATIC PRESSURE				
RESIDUAL PRESSURE				
FLOW				

Year	Hydrants	Semi-Annual Service Commitment	Actual Service Records	Total Annual Hydrant Charges
2002	147	294	42	\$158,476.60
2003	147	294	16	\$156,468.20
2004	147	294	0	\$156,468.20
2005	147	294	0	\$156,959.95



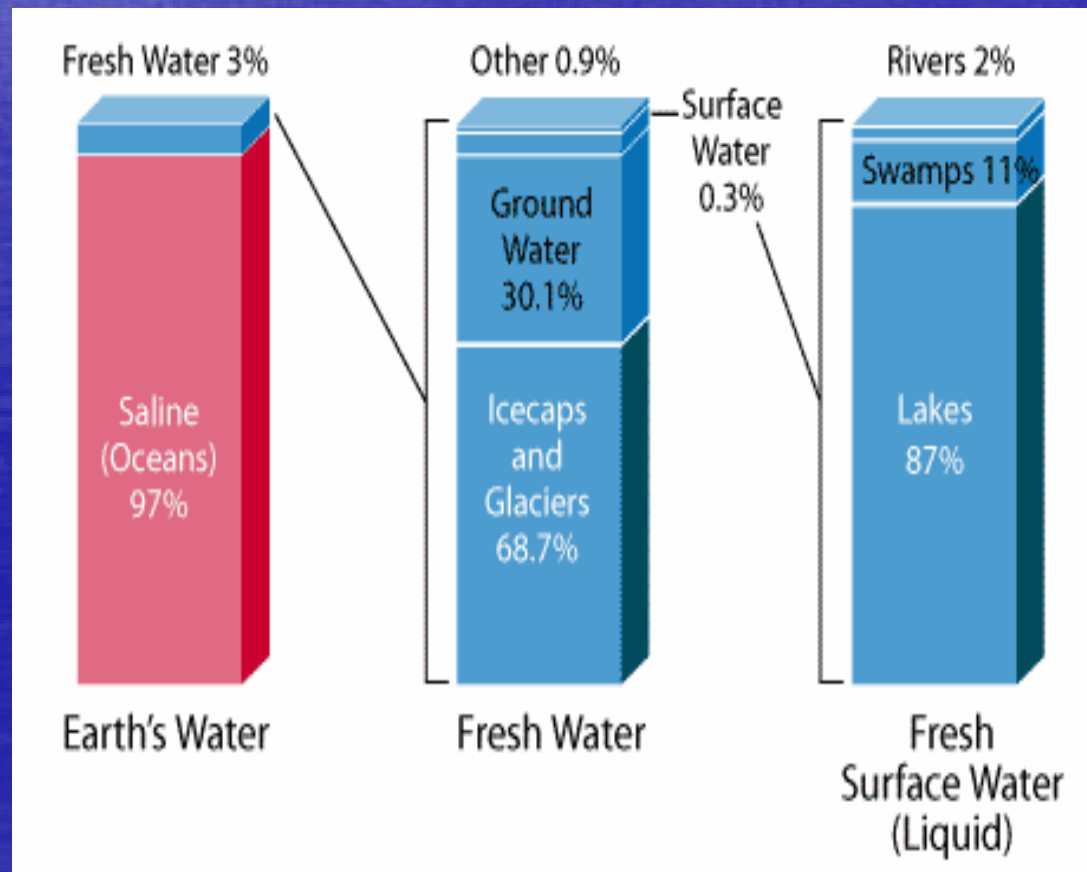
Source: Actual maintenance records provided by Aquarion to the North Hampton Water Commission Data Request 3-4.

Long Range Planning of Water Needs and Usage

- Determine what is important for North Hampton and for the long range planning of our water needs
- Concerns about future development and withdrawal of North Hampton resources
- Regional water system concerns

Less than 1% of the world's fresh water is available for drinking.

We need local control of our water resources.



Local vs. Foreign Ownership



Do we want an Australian company controlling our water?

Public vs. Private Ownership

- Public municipalities and private corporations are fundamentally different:
 - Municipality - to serve its constituents
 - Corporation - to serve its stockholders
- 86% of all Americans receive their water from municipally owned utilities.
- In NH, 33 private water utilities serve ~ 15% of all residents

Public vs. Private Ownership

The PUC guarantees ~10% profit to shareholders of the privately owned water company-

the more they spend* ,
the more profit they make-

therefore, the consumers pay more for water and everyone pays more in taxes for hydrants.



* Aquarion claims they “invest” – they borrow - - - we pay off the debt!

Benefits from Acquisition

- Town's ownership controls costs, quality, service, and system expansion
- Conserve and protect our water resources
- Maintain an adequate water supply
- Invest to improve the system
- Consistent, dependable hydrant maintenance
- Improve service – equitable maintenance for all towns



Benefits from Acquisition

- Avoid poor management decisions:
 - Hobbs Well: paid for by rate payers, but never became a production well
 - Peabody Well: developed in Stratham - paid for by North Hampton rate payers
 - Mill Road Well: had to remove the building because it was within the 400 ft sanitary radius
 - Hydrants and other infrastructure have not received required maintenance as reflected in Aquarion's maintenance logs
 - Lack of "Good Neighbor" decision-making by Aquarion— impact on existing wells by new production wells

WHO benefits from acquisition?

**** All Customers ****

- **Motivated to minimize expenses**
- **Focus**
 - **Quality of water & services**
 - **Resource preservation vs. corporate profits**
- **Continued services to adjoining towns**
 - **State requirement**
 - **Commitment to improve service**

WHO benefits from acquisition?

**** Well Owners ****

- Reasonable Well Owner Response Policy
- Protection against dry wells when new utility wells are developed
- Protection of streams, ponds and wetlands – Private well recharge sources
- Aquifer protection from future high demands – Regional water system?

HOW do we finance the acquisition?

- 30-year tax exempt municipal revenue bond
- Town tax exemption - water rates would no longer bear tax burden
- Profit burden – a town owned system does not need to make a shareholder profit
- No Town General Fund revenues used to pay for the system
- Water department revenues will pay 100% of acquisition debt service & feasibility study

HOW do we finance operations?

- Water revenues from water service customers in North Hampton
- No rate increase to pay bond
- Wholesale water sold to users outside of North Hampton
- No cost to residents who don't use town water (private well owners)

WHO will oversee and operate the system?

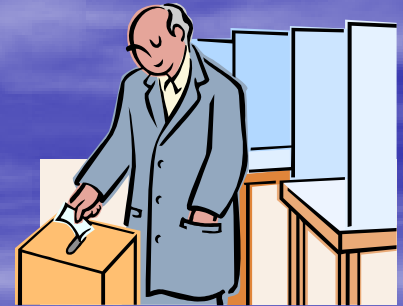
- Oversight: North Hampton Selectmen and Water Commissioners



Management & Operations

- Professional service company
- No new municipal employees

WHAT is the process?



- **Step 1** Vote to investigate (no funds authorized)
- **Step 2** Vote to authorize funding for determination of purchase conditions, price and legal fees
- **Step 3** Vote to authorize a municipal revenue bond to fund the purchase should the final price be acceptable

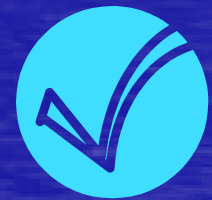
WHEN do we vote?



- Deliberative Session November 14th
- **First vote** **Dec. 19, 2006**
- Deliberative Session date TBD
- **Second vote** **March 2007 or later**
- Deliberative Session date TBD
- **Final vote** **March 2008 or later**

First Vote: December 19, 2006

- Ballot vote - Two-thirds vote required
- No funding requested: successful vote does not commit or authorize funds
- A YES vote begins the process
 - Written notice to Aquarion
 - Negotiations and/or
 - filing of NH PUC Petition



Second Vote: March 2007 (or later)

- Deliberative Session – Warrant Article for funding of “due diligence and legal fees” to establish a price for the assets through negotiations or a hearing before the NH PUC
- Present, consider and debate Warrant Article to fund “due diligence and legal fees”
- Ballot vote, simple majority required for passage

Final Vote: March 2008 (or later)

- **If sales price is agreeable**
- **Town Meeting: Deliberative Session - to present, consider and debate warrant article to authorize funds based on a acceptable price and plan for service**
- **Ballot vote to authorize municipal revenue bond to purchase the water company assets**

WHY is it important?

- Water resources are critical and valuable to North Hampton's future
- Town ownership controls costs, quality, service, and system development
- Focus on service to North Hampton instead of profits paid to a foreign company and shareholders
- Long term savings and ownership once the bond is paid off

Consider:

Aquarion has been very active telling everyone what a bad idea this is.

Do we really believe Aquarion's goal is to do what is best for North Hampton?

Shouldn't North Hampton determine what is best for North Hampton?

Shouldn't Aquarion be supporting the study if they are so confident of the findings?

Allowing Aquarion to influence this decision is like asking the IRS to fill out your tax return!

ACTION REQUIRED

Authorize the North Hampton Board of Selectmen to take the First Step

Begin the investigation of the merits of a town-owned water utility and fiscal prudence of acquisition

Determine the answers to the many unanswered questions and issues





Discussion