



Aquarion Water Company Offer Presentation

City of Derby
WPCA Privatization Committee



4/18/2021

Agenda

- Introductions
- Benefits of the Transaction
- Employees
- Purchase Price & Investment
- Rates & Customer Service
- Capital Plan
- Next Steps
- Q & A

Introductions

Introduction

- Don Morrissey – President
- Adam Simonsen – Director of Business Development
- Dan Lawrence – Vice President, Engineering & Planning
- Mike Crawford – Program Manager, Wastewater

Benefits of The Transaction

Benefits of a Transaction with Aquarion

Avoid Risk and Benefit Financially

- Exit a highly regulated risky business
- Receive cash to remove debt and fund balances become unrestricted
- Committed investment in wastewater infrastructure
- Wastewater system becomes a tax payer

Connecticut-based

- Headquartered in Bridgeport, CT for more than 165 years
- Strong local ties

Customers benefit from seamless transition, great service

- Industry leading customer service
- Long-term rate stability

Deep Technical Bench to Solve Engineering, Operational, and Regulatory Hurdles

- 340 employees
- 100% environmental compliance in 2021
- Zero health-based water quality violations in CT 2021

Employees

All Staff Retained

Top Employer: Aquarion selected as one of the top places to work in Connecticut (6 times)



- All fulltime WPCA staff will be offered employment
- Pay equal or better to current compensation
- Comparable benefits
- Motivated and engaged employees are critical to the operations



Purchase Price & Investment

Purchase Price

- **\$50,000,000 investment**
 - \$18,000,000 lump sum, up front cash payment
 - \$32,000,000 capital investment
- Not subject to any financing condition
- Non-binding and subject to additional due diligence

Purchase Price Considerations

- Net Value of FY2021 Sewer Assets in service – Less expected depreciation in FY2022***
- Rate affordability
- Provides net proceeds to the City

***Aquarion has not yet received FY2021 Audited Financial Statements

Capital Investment Commitment

- Minimum of \$32,000,000.
- Upgrade entire treatment plant in 10 years.
- Collection system investments goes from \$270k/yr to \$1,750k/yr by year 10.

Total \$50,000,000 investment in Derby Wastewater

Estimated Net Proceeds⁽¹⁾

Lump Sum Payment	\$	18,000,000
Cash on Hand	\$	5,992,212
Other Current Assets:	\$	668,490
Total Proceeds to City:	\$	24,660,703
Derby WPCA Bond Principal:		(14,190,000)
Reserve for Interest from Non-Callable Bonds	\$	(2,700,000)
Other Liabilities	\$	(1,710,705)
Unrestricted Proceeds:	\$	6,059,998

(1) Estimated based on draft June 30, 2021 financials

Grand List Growth

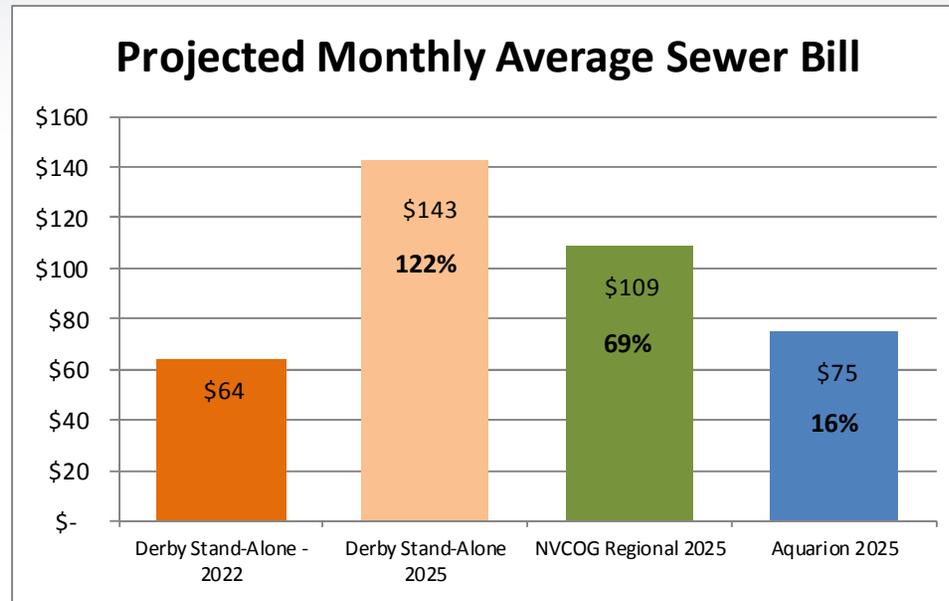
Aquarion wastewater system also becomes a tax payer with an estimated \$150k property tax payment in Year 1.



Rates and Customer Service

Rate Affordability

- Freeze rates for a minimum of 24 months post acquisition
- Any future rate increase must be approved by CT PURA
- Projected 2025 rates:



Source: Regional Wastewater System Study, Naugatuck Valley Council of Governments, Workshop #3: Financial Analysis, Nov 9, 2021

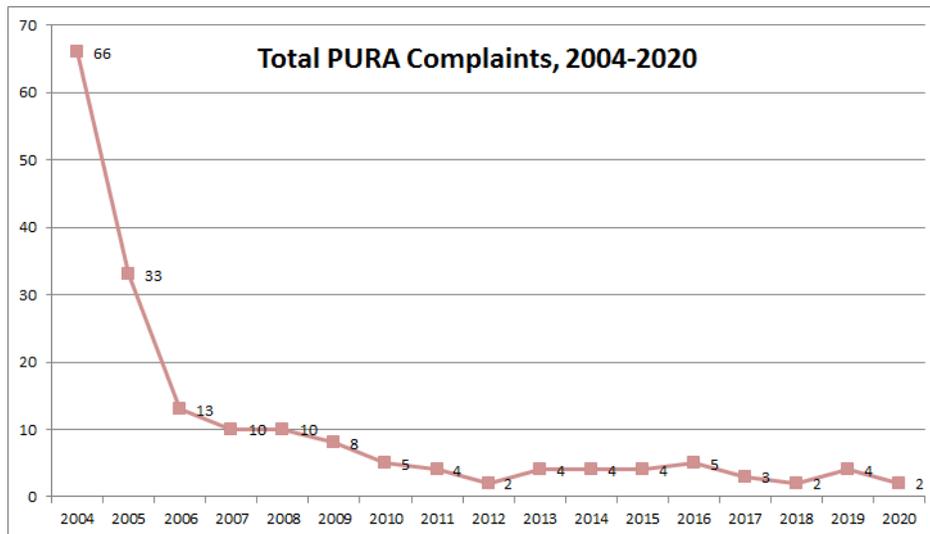


Customer Service

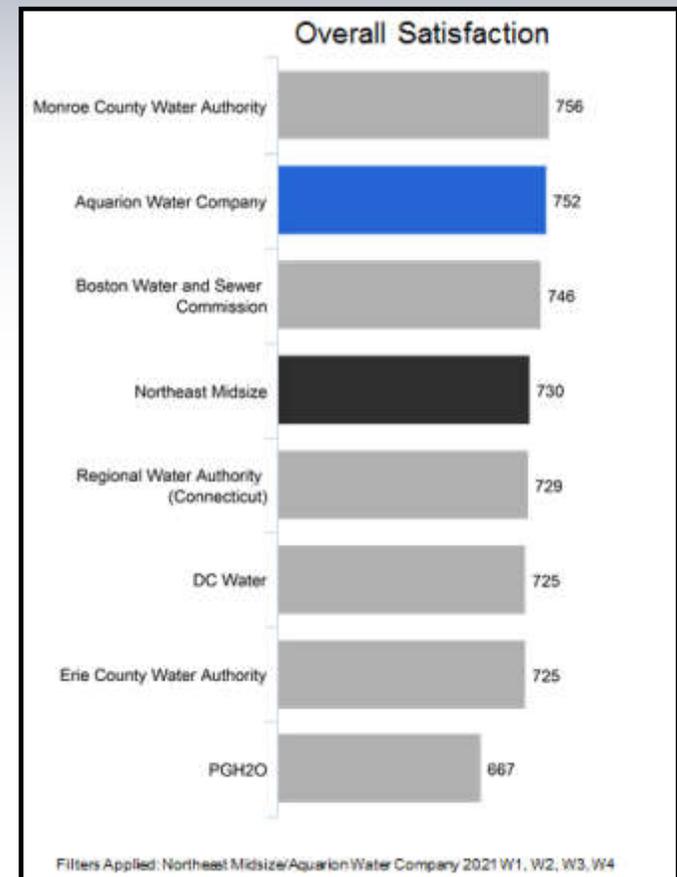
- Customer Service department is based in Monroe, CT
- Utilizes an enterprise-wide system (SAP) to manage all calls and to dispatch field staff as needed
- Most Derby wastewater customer service issues will be addressed using staff based at Derby facility
- Upgrades to billing:
 - Monthly billing allows households to budget easier
 - Electronic bill presentment and payment options
 - Low-income assistance

Customer Satisfaction

- Customer Service is a top priority
- Latest survey: 95% of Aquarion customers satisfied or extremely satisfied
- Strong J.D. Power results
- Lowest number of complaints for regulated utilities in CT



J.D. POWER





Capital Investment Plan

WPCF – Liquid Train



1. Influent Pumps
2. Grit Removal
3. Comminutor
4. Primary Basins
5. MLE Aeration Tanks
6. Secondary Clarifiers
7. Disinfection
8. Effluent to Housatonic River

WPCF Sludge Process



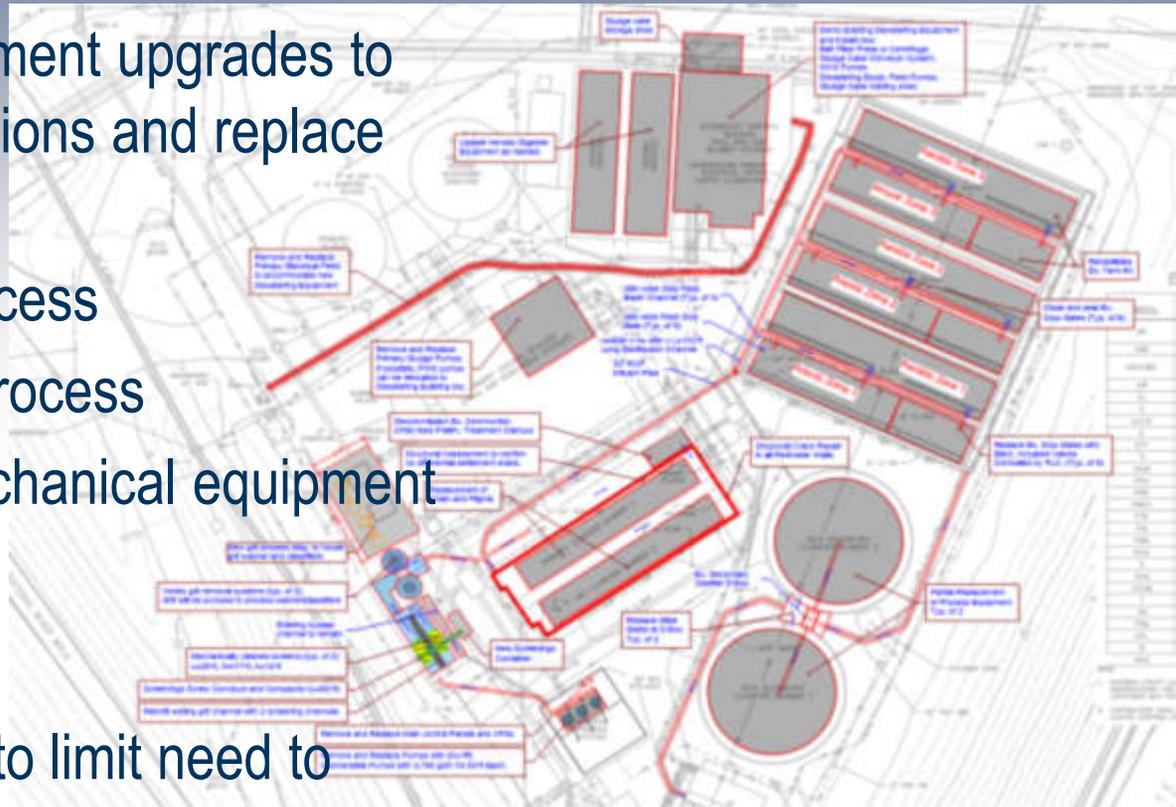
1. Primary Waste Sludge
2. Waste Activated Sludge
3. Rotary Drum Thickener
4. Thickened Sludge
5. Aerobic Sludge Digester
6. Blend Tank
7. Belt Filter Press Dewater
- ~~8. Anaerobic Digesters~~

Unit Process Optimization

- Concurrent with a capital program, Aquarion will look for immediate opportunities to optimize current unit processes.
 - Address safety concerns
 - More efficient Nitrogen removal via higher internal mixed liquor recycle rate
 - Energy optimization
 - Sludge removal optimization via thickening and polymer review
 - Interim odor control if appropriate

WPCF Upgrade Plan

- Make immediate equipment upgrades to promote ease of operations and replace failing equipment
- Upgrade every unit process
- Add SCADA to every process
- Upgrade all electro/mechanical equipment



Cost Limiters

- Perform over 10 years to limit need to construct temporary processes or facilities
- Limits subsurface excavation
- Makes use of existing buildings

Capital Approach

- High Priority (Y1-Y5)
 - Main Pump Station (1)
 - Headworks (1)
 - Electrical and SCADA
 - Sludge Handling
- Medium Priority (Y3-Y6)
 - Primary Tanks (4)
- Lower Priority (Y5-Y10)
 - Secondary Clarifiers (6)
 - Aerations Modifications (5)
 - General Site and Building Upgrades



Collection System Upgrade Plan

- 42 miles of collection system piping
- 70% vitrified clay (VC) pipe
- Significantly deteriorated
- Significant inflow in 5 of 11 subareas

Approach

- Continue CMOM Improvements; Inflow Removal (High Priority)
- Continue investments in lining and replacement (Lower Priority)
- Integrate SCADA at Pump Stations; Continue Proactive O&M
- Ramp up over 10 years to line and replace at 5x the current rate
- Inflow Mitigation Fund

Inflow Mitigation Fund

- Numerous illegal collections (roof leaders, sump pumps, etc.) to the sanitary sewer system allowing significant inflow of rain water.
- Proposal: City to set aside \$500k-\$1M from the sale proceeds to subsidize or offer low interest loans to disconnect these inflow sources from the sewer system.

Next Steps

Recommended Next Steps

- Privatization Committee Review and Recommendation
- Public Information Sessions
- Approval of a definitive agreement by Board of Aldermen and Alderwomen
- Approval by CT Public Utilities Regulatory Authority and CT DEEP

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- \$50M investment in Derby wastewater
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Connecticut-based

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Customers benefit from seamless transition, great service

- Industry leading customer service
- Proven ability to manage rates

Deep Technical Bench to Solve Engineering, Operational, and Regulatory Hurdles

- 340 employees
- 100% environmental compliance in 2021
- Zero health-based water quality violations in 2021