

**Representative Policy Board
South Central Connecticut Regional Water District**

Application for Approval to Purchase :
the Assets of Target Two, a Confidential : **August 24, 2023**
Plumbing Company :

**Final Decision, Findings of Fact and Conclusions of Law
of the Representative Policy Board**

A. The Applicant’s Request

On May 26, 2023, the South Central Connecticut Regional Water Authority (“RWA” or the “Applicant”), through its five-member Authority, submitted an application for approval to purchase the Assets of Target Two, a Confidential Plumbing Company (“Application” or “Target Two”). The purchase would expand the RWA’s Well Services footprint and market share, as well as support the proliferation of its WellSafe protection plan product. Target Two has a strong service reputation, a stable healthy earnings profile, and is uniquely positioned to compliment the RWA Well Services’ smaller plumbing acquisitions from a scale and geographic expansion perspective. The proposed asset purchase cost, including the purchase of all physical and intangible assets, is between \$1.5 - \$2.0 million dollars. The Application for approval of the project was filed pursuant to the statutory authority set forth in Section 19 of Special Act No. 77-98, as amended.

B. Participants

In addition to the Representative Policy Board (“RPB”) and the RWA, the district’s Office of Consumer Affairs (“OCA”) participated in this proceeding. The OCA is authorized by Section 15 of Special Act No. 77-98, as amended, to act as the advocate for consumer interests in all matters that may affect water customers in the district.

C. Statutory Standard

Pursuant to the legislation cited in paragraph A above, the RWA is required to obtain approval from the RPB prior to acquiring or making a subsequent investment in any non-core business in an amount costing more than \$1 million dollars.

D. Notice and Procedures

Effective July 1, 2021, Senate Bill 1202, Section 163, permitted the RPB to hold the public hearing on the Application using electronic equipment or technology that facilitates real-time public access to meetings, including, but not limited to, telephonic, video or other conferencing platforms. On June 22, 2023, the RPB voted unanimously to accept the Application as complete and called a public hearing on Thursday, July 27, 2023 at 7:00 p.m., at the office of the South Central Connecticut Regional Water Authority, 90 Sargent Drive, New Haven and via remote access. The RPB designated Thomas P. Clifford III (Ansonia) to serve as Presiding Member at the public hearing.

As required by Section 10 of Special Act. No. 77-98, as amended, the RPB published in the *New Haven Register* and the *Connecticut Post* the date, time and place of the public hearing to be held by the RPB to consider the Application for approval. The date of publication was June 24, 2023. A copy of this notice was filed with the Office of the Clerk of each city and town within the District. The notice was posted on the RWA's website, including information about electronic participation for the meeting.

E. Public Hearing

At the public hearing on July 27, 2023, the Applicant provided sworn testimony from Rochelle Kowalski, the RWA's Vice President and Chief Financial Officer, and Dennis Donovan, the RWA's Director of Business Development. The Applicant provided a public presentation that

included an overview and background, opportunity review, and asset purchase structure. Atty. Donofrio, Office of Consumer Affairs, also testified at the public hearing.

The Application also contained confidential information, subject to protection under C.G.S. Section 1-200(6)(E), for matters covered by Section 1-210(b)(5)(B), pertaining to commercial and financial information. The portion of the public hearing during which confidential commercial and financial information was discussed was held in executive session.

Members of the RPB asked questions of the Applicant regarding employees, initiatives, future planning, and competition.

The OCA provided a summary of his analysis of the Application as noted in his memorandum to the RPB dated July 21, 2023, which included commercial and financial information protected under C.G.S. Section 1-210(b)(5)(B). For the reasons set forth in his memorandum, the OCA recommended approval of the Application.

In addition to the applicants and OCA listed above, members of the public were invited to attend. No members of the public were present at the public hearing.

F. Analysis

After considering all of the evidence presented, the RPB believes that the Application is necessary, advances the policies and goals of the South Central Connecticut Regional Water Authority, and is in the best interest of the RWA and its customers. The presentation at the public hearing reinforced the need for and importance of the acquisition.

G. Conclusion

We therefore conclude that the Application should be approved. Separately stated findings of fact and conclusions of law are attached hereto as Exhibit A.

Exhibit A
Representative Policy Board
South Central Connecticut Regional Water District

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Findings of Fact

1. The South Central Connecticut Regional Water Authority (“RWA”), through its five-member Authority, submitted an Application to the RPB for approval to purchase the Assets of a Confidential Plumbing Company (“Application”) on May 26, 2023.
2. In 2017, Special Act 17-5 amended the RWA’s enabling legislation to allow the RWA to conduct and invest in non-core business activities defined as including water related, environment, agriculture, and certain renewable energy sources.
3. In 2018, the establishment of RWA’s Growth Fund was created as a means to reserve funds intended for non-core investments.
4. The RWA’s 2020-2025 Strategic Plan outlines a non-core strategy to invest in environmental and water-related businesses to achieve commercial service net revenue of \$9.2 million dollars by May 2025.
5. The RWA has purchased and integrated two similar smaller plumbing and well services entities that are over performing their anticipated investment targets.
6. Target Two represents a solid strategic and economic fit with experience servicing communities in the New Haven area and has a strong service reputation and a stable, healthy earnings profile.
7. The available cash flow generated from the operations of Target Two would result in transferring monies into the RWA’s Construction Fund, to help fund its capital program and reduce debt leverage.

8. The transaction, structured as an asset purchase, as well as the purchase price structure, mitigates both liability and execution risk.
9. The funding source is the previously established Growth Fund and the purchasing entity is RWA Well Services, LLC.
10. RWA Well Services, LLC is a wholly owned entity of RWA Commercial Enterprises, LLC, a wholly owned entity of the RWA, which is subject to the controls, limitations, and approval therein, including the governance by the Authority Board and the RPB.
11. The proposed asset purchase cost, including all physical and intangible assets is between \$1.5 - \$2.0 million dollars.
12. The Application is necessary, advances the policies and goals of the South Central Connecticut Regional Water Authority, and is in the best interest of the RWA and its customers.
13. The Application also contains separately stated findings of fact and conclusions of law in its confidential and proprietary elements protected under C.G.S. Section 1-200(6)(E) for matters covered by Section 1-210(b)(5)(B), pertaining to commercial and financial information.
14. The OCA recommended approval of the Application.

Conclusions of Law

1. The South Central Connecticut Regional Water Authority's ("RWA") application for approval to purchase the Assets of Target Two, a Confidential Plumbing Company ("Application" or "Target Two") on May 26, 2023, was filed pursuant to the statutory authority set forth in Section 19 of Special Act No. 77-98, as amended.
2. Notice of the public hearing to consider the Application and to allow interested persons, including water users and property owners within the district, to be heard was properly made on June 24, 2023, pursuant to Section 10 of Special Act No. 77-98, as amended.
3. Pursuant to Sections 10 and 19 of Special Act 77-98, as amended, the public hearing was held on July 27, 2023.
4. Based upon the above Findings of Fact, the Representative Policy Board concludes that the RWA's application to purchase the Assets of Target Two, a Confidential Plumbing Company, meets all requirements for approval.