

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

**Application for Approval to Purchase** :  
**the Assets of Target Three** : **April 25, 2024**

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

A. The Applicant's Request

On February 22, 2024, 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 Three (“Application” or “Target Three”). The purchase would expand the RWA’s commercial business footprint and market share. Target Three has a stable earnings profile and is positioned to compliment the RWA’s existing offerings with significant market expansion and positive revenue impact. The proposed asset purchase cost, including the purchase of all physical and intangible assets, is between \$9 and \$13 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, and under the requirements of the expedited process.

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 March 4, 2024, under the expedited process, upon recommendation of the Finance Committee, the RPB Chairman, on behalf of the RPB, accepted the Application as complete and called a public hearing on Thursday, March 28, 2024 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 Timothy Slocum (Cheshire) 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 March 5, 2024. A copy of this notice, including information about electronic participation for the meeting, was filed with the Office of the Clerk of each city and town within the District, the Connecticut Secretary of State, and posted on the RWA's website.

E. Public Hearing

At the public hearing on March 28, 2024, the Applicant provided sworn testimony from Rochelle Kowalski, the RWA's Vice President and Chief Financial Officer, and Adrian Cosma,

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.

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.

The OCA provided a summary of his analysis of the Application as noted in his memorandum to the RPB dated March 21, 2024, which included commercial and financial information protected under C.G.S. Section 1-210(b)(5)(B) and was thus filed subject to the RPB-approved Protective Order. 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. One individual from the public was present during the open session segment of the 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 presentations 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**

**Application for Approval to Purchase** :  
**the Assets of Target Three** : **April 25, 2024**

**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 Target Three (“Application”) on February 22, 2024, under the requirements of the expedited process.
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 fiscal year 2018, the establishment of RWA’s Growth Fund was created as a means to reserve funds intended for non-core commercial investments.
4. The RWA’s 2020-2025 Strategic Plan outlines a non-core strategy to conduct and invest in non-core business activities to achieve commercial service net revenue of \$9.2 million dollars by May 2025.
5. The RWA has bought and integrated three smaller operations since 2021.
6. The first two acquisitions, structured as an asset purchase, have exceeded their valuation earning’s targets, are cash flow positive, and the RWA anticipates the same from the latest acquisition.
7. This transaction will be executed under the RWA, not a subsidiary entity. Therefore, revenues will be deposited into, and expenses will be paid out of, the Revenue Fund with the earnings available as part of the Year-End-Disposition to be transferred into the

Construction Fund to help fund the RWA's capital program, mitigate future rate increases, and reduce debt leverage.

8. The asset-based deal structure mitigates risk.
9. The structure of the transaction incorporates deferred revenues. The funding source is primarily the Growth Fund, with additional financing from the General Fund and debt issuance.
10. Post transaction, operations will be subject to the controls, limitations, and approvals therein, including governance by the Authority and the RPB.
11. The proposed asset purchase cost, including all physical and intangible assets, is between \$9 and \$13 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 for the reasons set forth in his Memorandum to the RPB.

### **Conclusions of Law**

1. The South Central Connecticut Regional Water Authority's ("RWA") application for approval to purchase the Assets of Target Three ("Application" or "Target Three") dated February 22, 2024, 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 March 5, 2024, 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 March 28, 2024.
4. Based upon the above Findings of Fact, the Representative Policy Board concludes that the RWA's application to purchase the Assets of Target Three meets all requirements for approval.