



RPB Application
*Bid to Convert AWC
to an Authority*

August 22-27, 2024

Public Portion Agenda

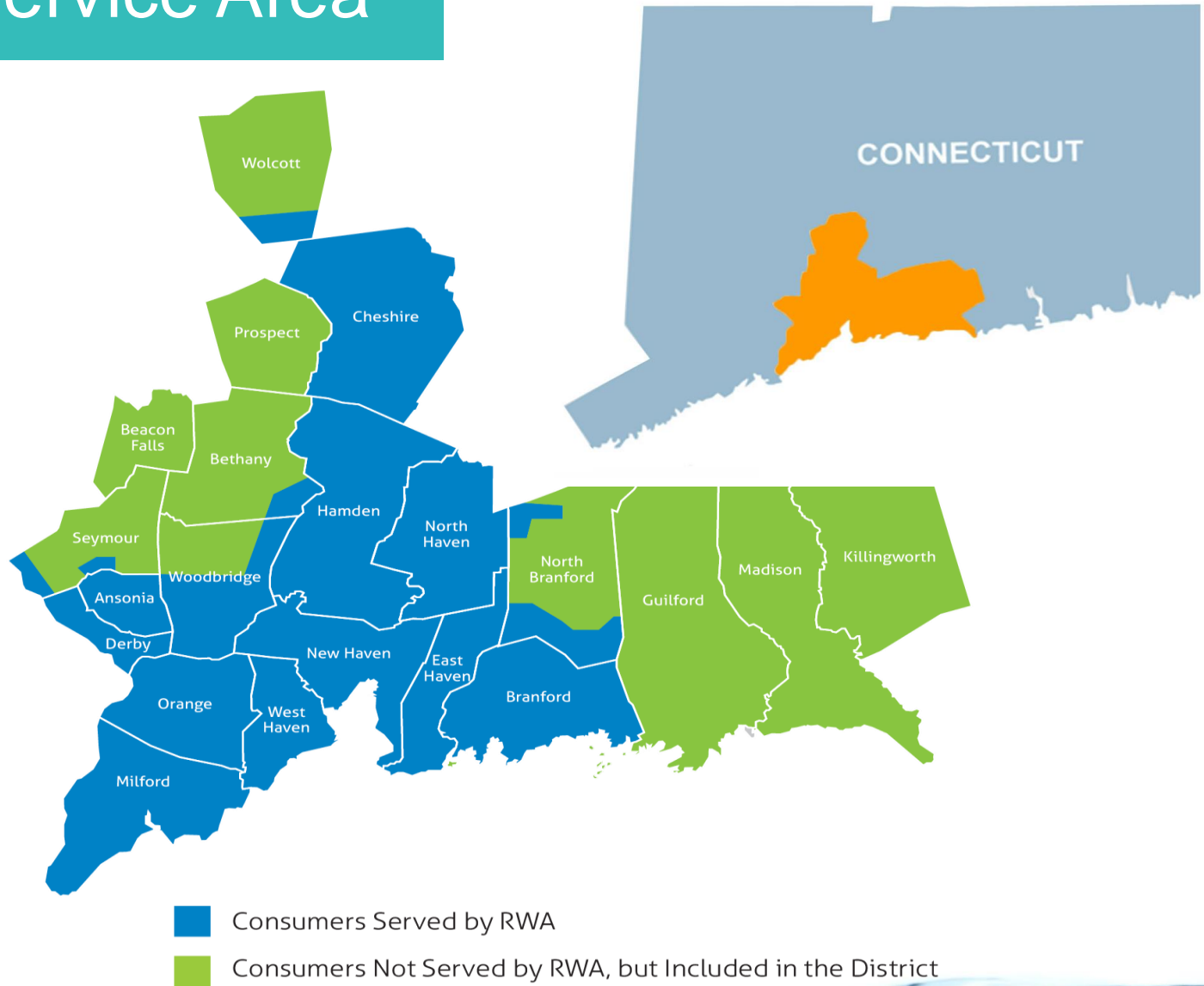
- Application Overview
- RWA Background, Governance Structure & How We Do Business
- Transaction Opportunity
- Potential Regional Structure
- Benefits of Conversion
- Financial Management Approach & Structure
- Questions & Public Comment
- Executive Session – RPB Only

How We Do Business

- **Enabling Legislation**
 - RWA created as a “political subdivision of the state”
- **Special Act 77-98**
 - Defines why the RWA was created
 - Provides framework for how we conduct business
 - Establishes two boards: five-member Authority; 21-member Representative Policy Board
 - Defines board composition, responsibilities
 - Creates Office of Consumer Affairs
- **Commercial Business & Enabling Legislation Changes**
 - Expands RWA’s ability to conduct water and environmental-related activities, agriculture, alt. energy



RWA Service Area



Water Supply

- 4 active surface water supply systems
 - North Branford
 - Mill River
 - West River
 - Saltonstall
- Provide ~88% of available water

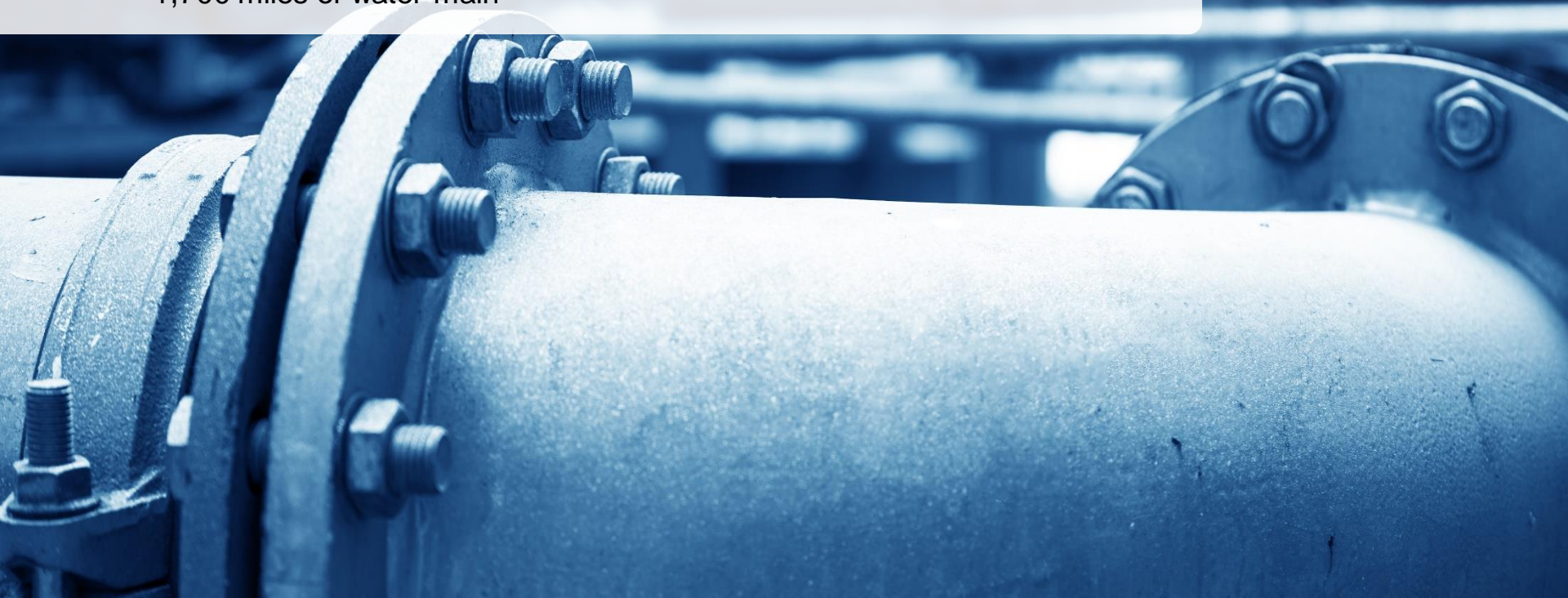
Water Treatment

- 4 surface water facilities
- 7 groundwater facilities



RWA Distribution System Overview

- RWA is structured to manage a wide range of water-related operations, including:
 - 34 pumping stations
 - 33 dams
 - 35 storage tanks
 - 1,700 miles of water main

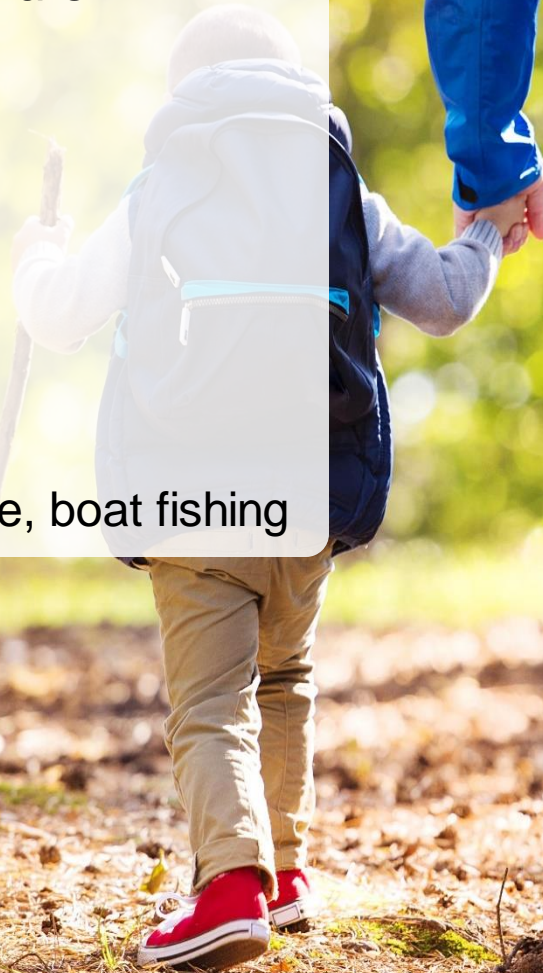


Land Use Plan

- Land acquisitions and dispositions
- 27,805 acres in landholdings

Recreation

- 81 miles of recreation trails
 - Hiking
 - Jogging
 - Cross-country skiing
 - Bicycling
 - Wheelchair access
 - Interpretive trail
- 16 miles of stream, lake, boat fishing



Water Quality & Assurance

- State-of-the-art laboratory
- Analyze water samples and conduct quality tests
- RWA water meets or is better than all state and federal drinking water standards



Commercial Strategy

- Inorganic Growth
 - Investments
 - Acquisitions
 - Roach Plumbing
 - Water Systems Specialties
 - Carboni Plumbing
 - Homeowner Safety Valve Company
- Organic Growth
 - PipeSafe & WellSafe Protection Programs
 - Environmental Laboratory Services
 - Fleet Garage
 - Forestry
 - Rental Property
 - Wholesale/Interconnections
 - \$1.3M net revenue = mitigate rate increase by approximately 1%

The Authority Board

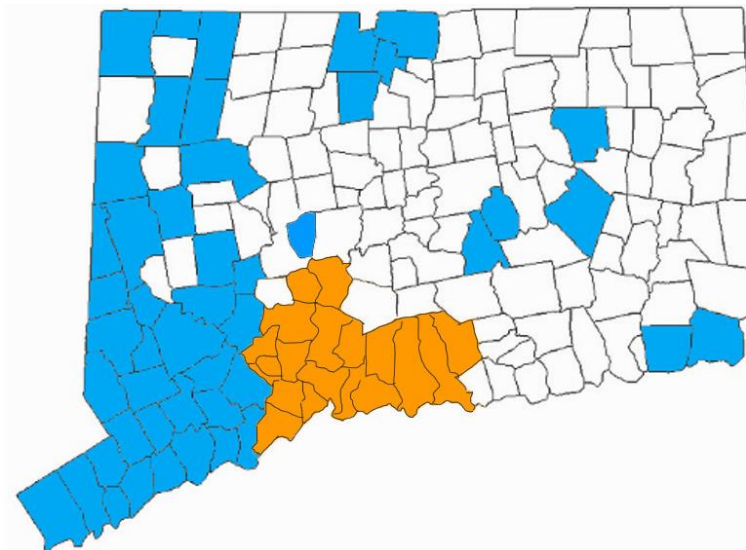
- Five members – appointed by Representative Policy Board; staggered five-year terms
- Similar to corporate board of directors
- High-level strategy and oversight; partnership with management
 - Financial strength
 - Significant transactions
 - Strategic direction
 - Fiduciary role
- Six Work Committees
 - Audit/Risk
 - Commercial Business
 - Compensation
 - Environmental, Health & Safety
 - Pension & Benefit
 - Strategic Planning

Representative Policy Board

- 21 members appointed by each municipality within the RWA's service region, and one member appointed by the Governor
- Actions requiring RPB approval
 - Acquisition of water supply and/or wastewater system
 - Capital projects costing more than \$3.5 million
 - Investments of more than \$1.5 million in a water or environmental-related business
 - Issuance of bonds
 - Disposition of real estate
 - Changes to RWA Land Use Plan
- Three Work Committees
 - Consumer Affairs
 - Finance
 - Land Use

Aquarion Water Company Overview

- Aquarion Water Company (AWC), a subsidiary of Eversource, is the public water supply company for approximately 242,000 customer accounts or more than 777,000 people in 72 cities and towns in Connecticut, Massachusetts and New Hampshire.
- AWC is the largest investor-owned water utility in New England and is among the seven largest in the U.S.
- AWC is based in Bridgeport; has been in business since 1857.
- AWC is structured to manage a wide range of water-related operations, including:
 - 10 Surface Water Treatment Plants
 - 303 Groundwater Wells
 - 100 Pumping Stations
 - 36 Dams
 - 3,817 Miles of Water Main
 - 200 Water Storage Tanks



Charter Revisions

- **June 2024 Special Session**
 - Legislative approval to revise charter
 - Ability to compete on equal footing with other bidders
- **Bill 501**
 - Creates Aquarion Water Authority (AWA) – same structure, power and duties as RWA
 - Defines 59 towns included in Aquarion Water District
 - Defines board composition, responsibilities
 - Governance structure mirrors RWA
 - No adverse impact on RWA or AWA customers

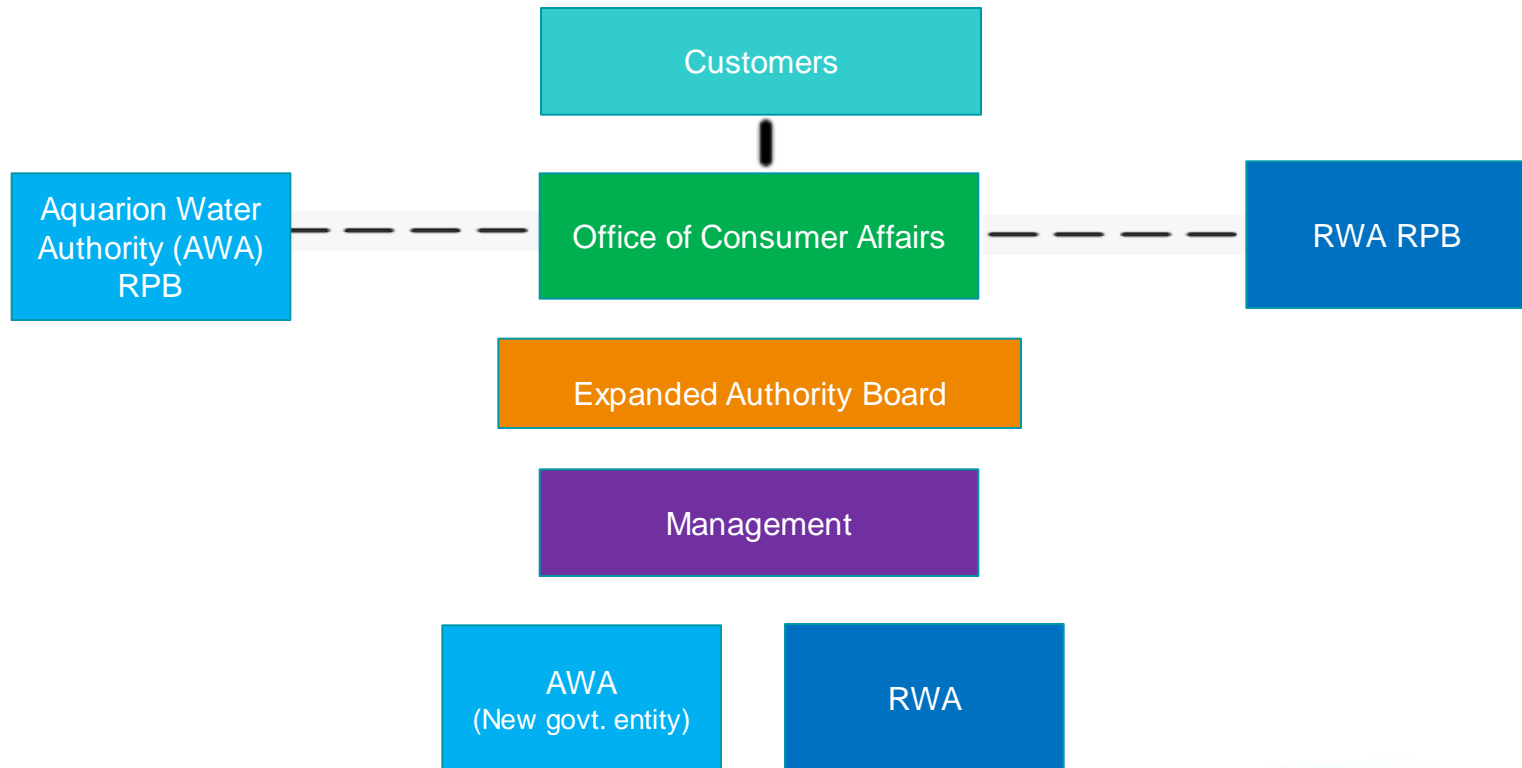




Aquarion Water Authority (AWA)

- Not-for-profit, quasi-public water utility
- 59 Connecticut cities and towns part of Aquarion Water District
- Each town in District has voting representation on the Aquarion Representative Policy Board proportional to number of customers and amount of land owned in each community
- Ensures protections and representation to communities served
- Provides equitable treatment among AWA customers

Proposed Structure



US Water Utilities by the Numbers

9

Publicly Traded
Investor Owned

153,000
Gov't. Owned

Benefits to Regional Water Authority (RWA)

-  Economies of Scale
-  Resource Management
-  Environmental Stewardship
-  Broader Environmental Impact
-  Modernization
-  Skilled Workforce
-  Career Opportunities
-  Wider Customer Base for Commercial Services

Benefits to Aquarion Water Authority (AWA)

- RWA Track Record
- Stability
- Local, Community Representation
- Resource Management
- Environmental Stewardship
- Broader Environmental Impact
- Financial Strength
- Economies of Scale
- Alternative Funding
- Tax Exemptions
- Capital Planning
- Quality and Safety
- Modernization
- Skilled Workforce
- Career Opportunities

Summary

- Historic, transformational regional supply strategy
- Establish AWC as a not-for-profit, quasi-public utility
- Water services remain in public hands; accountable and focused on serving local public interest



PILOT (Payment-In-Lieu of Taxes)

- PILOT is prescribed under our Enabling Legislation, including for the newly created Aquarion Water Authority.
- PILOT is comparable to property tax in most respects.
- PILOT Real Property
 - No difference in mill rates and paid on existing real property
 - PILOT is paid on purchased real property and payments stop, if sold
 - PILOT is not paid on post-acquisition real property improvements
- PILOT Personal Property
 - No difference between mill rate for PILOT and mill rate for property tax
 - PILOT paid on existing personal property at time of acquisition
 - Prospectively, PILOT adjusted for water pipe additions and retirements
- RWA paid approximately \$8.8 million in PILOT in FY24 to service area municipalities, funding schools, local infrastructure and vital services.

Financial Condition of RWA

Solid & Stable Financials

RWA is financially strong.

High Credit Ratings

RWA has an S&P rating of AA- and a Moody's rating of Aa3, indicating a high level of creditworthiness.

Acquisition Structure Protects Customers & Financials

The acquisition of AWC is designed to protect RWA's customers as well as its financial position and credit ratings. The acquirer and debt issuer will be the newly created Aquarion Water Authority (AWA) and paid for by its cash flows.

RWA's strong financial position, high credit ratings, and well-structured acquisition plan protects our customers and financial standing and sets us up for continued success in the region.

Financial Condition of AWC

Large Investor-Owned Utility

AWC is the largest investor-owned water utility in New England serving approximately 777,000 people across 242,000 customer accounts in 72 cities and towns in Connecticut, Massachusetts and New Hampshire.

Solid Financial Performance

In 2023, AWC reported a net income of \$33 million on a base rate of ~\$1.3 billion, indicating a financially stable and profitable operation.

Credit Ratings

Credit ratings are BBB+ by S&P; Baa2 by Moody's.

AWC's extensive customer base and reputation as a well-established and stable water utility makes it an attractive acquisition target.

Risk Mitigation Measures

Protect RWA Consumers & Financial Position

Structure the acquisition so no adverse impact to RWA customers and to safeguard the RWA's financial standing and credit ratings. AWA will be the issuer, and indicative ratings will be requested.

Expert Advisors

Collaborate with expert advisors who have deep experience in executing acquisitions to guide the process. Bond counsel and our registered municipal advisor are involved in the financing.

Comprehensive Due Diligence

Assess all aspects of AWC's operations and finances as part of due diligence process.

Experienced Legal Counsel

Engage legal experts with extensive expertise in acquisitions to negotiate the Purchase & Sale Agreement, other agreements, and legal aspects of the acquisition. Will work with counsel familiar with the PURA approval process.

These risk mitigation measures are designed to safeguard RWA and its customers and ensure a smooth and financially responsible acquisition of AWC.

Acquisition Financing Key Takeaways

- Acquisition financing to be structured not to increase RWA or AWC customer rates.
- No cost impacts to RWA customers due to structure of the financing.
- Debt will be issued under a new modernized General Bond Resolution.
- Debt will be structured to support on-going capital program requirements.
- Access to tax-exempt financing for ongoing capital expenditures creates net benefit.
- Issuer will be the newly created Aquarion Water Authority.
- Indicative ratings will be requested prior to binding bid.
- Target is to structure the debt such that senior debt will be investment grade.



PUBLIC COMMENTS

