



Town of Plaistow ♦ Water Committee

145 Main Street ♦ Plaistow ♦ NH ♦ 03865

POTABLE WATER MEETING

January 27, 2020

Call to Order: 6:29 p.m.

Attendees: Francine Hart, *Chair Plaistow Board of Selectmen*
Julian Kiszka, *Vice Chair Plaistow Board of Selectmen*
Greg Taillon, *Selectman*
John Blinn, *Selectman*
Greg Colby, *Finance Director/Assistant Town Manager*
Gene Forbes, *P.E. Underwood Engineers*
Keith Pratt, *P.E. Underwood Engineers*
Tim Moore, *Chair Planning Board*
Dee Voss, *Administrative Assistant*
Beth Hossack, *Administrative Assistant*

G. Taillon motions to approve the minutes of November 25, 2019. Seconded by J. Kiszka.

Vote: 4-0-0

Motion carries

F. Hart turns the meeting over to Underwood Engineering.

G. Forbes thanks the Board for having them tonight. He is here with Keith Pratt. The agenda will cover the project update, policy discussions for a water ordinance, user rates, contract operations and next steps.

G. Forbes states there is still no written agreement regarding the easement Plaistow has tried to get from Atkinson for the East Road Pumping Station. Due to Atkinson's lack of acknowledgment the State of New Hampshire is now involved. It is out of Plaistow's hands.

G. Taillon states he thought we could build the pumping station within the easement we already have.

G. Forbes replies, we can however there are three issues we have if we do not get the easement. Without it, prime wetlands will be affected, the cost will be more, and it will detrimentally affect the schedule. The right thing to do is put the pumping station on the high ground. Therefore, the Atkinson easement is needed.

F. Hart states we do have a verbal agreement.

G. Forbes agrees, however that does not mean much.

G. Forbes states the 60% review with drawings was submitted to New Hampshire Department of Environmental Services (NHDES) and New Hampshire Department of Transportation (NHDOT). Some minor changes are needed yet there is nothing earthshattering. There may be an issue with the location of pipes on Sweet Hill Road since it would cause gas lines to be relocated. Another meeting is scheduled with NHDOT to evaluate this. Overall, we are in good shape. G. Forbes states there is a meeting later this week to finalize State funding. Underwood will provide the latest updates on cost estimates.

All four components have been on a similar tract. However, the Pump House is stalled until we know if the Atkinson easement will be approved. The connections to MtBE contaminated sites (contract P4) are also on hold as more testing will be done. The initial number of sixty-one has increased to seventy-two and may still increase.

F. Hart states, it is her understanding that the State will pay for the additional eleven (11) properties contaminated by MtBE.

G. Forbes agrees, he has the same understanding.

In the Spring, we should be able to send out for bids for the storage tank and water mains. As a reminder the four main components are the water mains, the East Road pumping station, the Sweet Hill Road storage tank and the service connections for the MtBE impacted properties.

Water Ordinance – Policy Issues

G. Forbes states there are things to keep in mind as we begin to think about rates and policy decisions.

The first item to consider is MSDC (Merrimack Service-area Development Charge) capacity charge. This charge is just for capacity. Manchester Water Works has guaranteed capacity for Plaistow. The current rate for capacity is \$3.79 per gallon. There will be a 3% increase per year. Therefore, in the 2021 the capacity fee will be \$3.90 and so on. The initial capacity of 100,000 gallons per day has been paid for by the State of New Hampshire with MtBE Funds. In Phase 1 Plaistow will be allowed to purchase up to 250,000 gallons per day if it's done by May 1, 2022. In Phase 2 Plaistow can purchase another 320,000 gallons of capacity if it's done by May 1, 2025.

F. Hart states it would be to our financial advantage to buy capacity early.

G. Taillon asks if we must buy it all at once or if we can do it in increments.

G. Forbes replies, we can buy in increments.

F. Hart asks what sources of funding are available for Plaistow to purchase additional capacity.

G. Forbes states there are two options. The first one is a rolling system. As you sell capacity to new users you will recoup money and you can buy more capacity. Another option is to issue a bond/borrow money for it.

F. Hart states if we use a bond to finance capacity only water users will be paying for it.

G. Forbes agrees, that is correct. He wants to remind us that by June 1, 2025 Plaistow must be consuming 40,000 gallons per day or more per the signed agreement.

G. Forbes states the first 100,000 gallons of capacity is reserved for MtBE affected properties. There will most likely be extra capacity. The State is still testing additional properties therefore the initial 61 properties will increase. We are now at 72 properties.

G. Taillon asks if the State is paying for the testing, he thought they were not.

G. Forbes states to be clear the State has chosen to test properties abutting the current fire suppression system or abutting new lines that will be put in. That may not include all properties

affected by MtBE contamination. If there is a concern of someone outside the area, he will bring the question to the State. As an example, they have agreed to test the schools in Plaistow.

G. Taillon ask how much the testing costs.

D. Voss state it is around \$120.00

G. Taillon states it might be worth it for the town to pay for testing in neighborhoods located near the fire suppression lines and new lines. It may increase people who want to connect.

G. Forbes states that is a great idea however we should check with the State first.

What will Plaistow do with the first 100,000 gallons of capacity paid for by the State after supplying the MtBE impacted properties. It could be used on a first come – first served basis. Or perhaps it could be reserved for additional residential use. Some could be used for public entities use such as Town Hall, the Safety Complex, the Public Works Facility etc. There could be a cap for use.

F. Hart asks if Underwood recommends two different caps, one for residential and one for commercial.

G. Forbes replies, we may want to do that.

Meter size could play a role in rates too. The fee for a meter for an individual house may be charged a lower amount than a larger commercial meter.

J. Kiszka asks why someone with a contaminated well would not want to be connected to potable water.

G. Forbes replies, he does not know. Perhaps they are afraid of the rates.

Other items to keep in mind are expansions to service more arears. Pennichuck may be interested in selling some of their systems to Plaistow. Other locations that have shown interest are Timberlane Regional High School, Pollard Elementary School, Southview Building, Greenfield Hills, Twin Ridge/Rolling Hills – PWW and Sweet Hill – PWW. There may be value by giving them an incentive to join however we also need to think about the condition of those current systems.

Water Rates and Fees

K. Pratt has suggestions for target rates. Actual rates will not be set tonight. There are three main components to rates. They are:

- Fees – these are non-recurring expenses such as administration, service work and connection fees.
- System Development Charges – a one-time charge, to equalize the equity position.
- Rates – Quarterly charge – based on usage and ability to serve, meter charge, consumption charge. The purpose is to cover the annual operating budget including a Contract Operator, expenses and capital reserve.

The quarterly billing would include a base charge, most likely dependent upon the size of the meter and a charge for consumption/usage. Consumption would be based on a uniform rate.

K. Pratt states a typical approach to rate setting is to establish a budget (wholesale purchase price, contract operations, capital reserve funding) and establish an initial user base and estimated revenues (number of connections and anticipated consumption) then set the rates. In

Plaistow we have unknowns since we are just starting a new system. We will have to work backwards to come up with a rate. A yearly cost for an average household for water in New Hampshire is \$630. Fire suppression rates will stay the same. Next the wholesale purchase of water at specific gallons per day should be determined. The wholesale cost should be subtracted out, then net operating costs should be subtracted out. By following this formula, the suggested target rates for Plaistow for consumption should be in the range of \$5.24/100 cubic feet to \$7.00/1000 gallons.

F. Hart asks when rates should be set.

K. Pratt states soon however it is a balancing act. The sooner we set them the less we know and the later we set them the more we know. Perhaps in March we should develop the Water Ordinance and in April we should set rates.

To summarize water rates and fees the following items should be taken into consideration:

- Use target rates for planning.
- Set rates as soon as possible.
 - rates can be modified at any time.
 - Ordinance should be approved prior to or concurrently with rate setting.
- Establish operations budget when:
 - Contract Operations Budget are Reasonable.
 - Consumption (user base) is known.
- Consider incentives for fixed fees to increase user base.

G. Taillon asks where the \$630.00/year comes from.

K. Pratt states it is based on consumption of 150 gallons per person per day.

Connection Incentives

G. Forbes recommends using connections incentives to get people connected to the system. All properties affected by MtBE contamination will be paid by the State or have fees waived if they connect up front. Incentives might be offered to the first residential users of the next 40,000 gallons per day. The connection fee would be paid while the MSDC charges would be waived. The SDC charge could be waived by 50% (25% for commercial) with the same for connection fees.

Rates should be reviewed annually. Once the system is up and running rates could be reviewed every other year with a five (5) year ahead lookout.

F. Hart asks when should we integrate a Water Operator?

G. Forbes states Underwood Engineers will send letters to current operators asking for a letter of interest and qualifications. We will set a date to review the responses and come up with a short list. A formal RFP will be sent out. The Board may want to be included in interviews. This should happen in September.

Tim Moore asks how much money do you see going into a capital reserve account for water. K. Pratt states within five (5) years we want as many people connected as possible. The system may grow out for 20 - 25 years. Generally, 10 – 20% of the budget is a target for a capital reserve fund. It is hard to know up front.

F. Hart asks if we have a capital reserve account will it have to be approved by the voters first. G. Coly replies, no. The Board of Selectmen are the Water Commissioners and have the authority to create a capital reserve account for water.

K. Pratt states they do not recommend establishing impact fees. There are too many restrictions on where the money can be spent. SDC is a better way as you can be more flexible as to where the money is spent.

The next meeting will be held on March 30 and the one following that will be on April 27.

F. Hart adjourned the meeting at 7:37 p.m.

Respectfully Submitted,

Beth Hossack,
Recording Secretary