

PASCOAG UTILITY DISTRICT - BOARD OF UTILITY COMMISSIONERS MINUTES

The special joint meeting of the Pascoag Utility District Board of Utility Commissioners and Harrisville Fire District Operating Committee was held on Monday, April 19, 2015, at 6:30 p.m. at the Harrisville Fire District Office, 115 Central Street Harrisville, RI 02830.

Members Present: Chairman Albert Palmisciano, Commissioners Ann Polacek, Richard Jenks, Michael Kogut and Doug Lees

Members Absent: none

Harrisville Operating Committee Present- Ronald Slocum, Clinton Remington, Bruce Fournier, John Polacek, James Scotland Sr, David Place, Dennis Flynn

Members Absent: none

Also in Attendance: Michael Kirkwood, General Manager, Pascoag Utility District; Richard Sinapi; Harrisville Fire District's General Counsel

Chairman of the Harrisville Fire District Operating Committee, Ron Slocum, opened the meeting at 6:30 pm.

1. Pledge of Allegiance

2. Discussion of potential merger between Harrisville Water Department and Pascoag Utility District – Joint Board Meeting

Mr. Ron Slocum began the meeting with a brief synopsis. He stated Harrisville Fire District was approached by Pascoag Utility District and was asked to examine and consider a possible merger. Mr. Slocum continued, stating that after a few informal discussions

between himself, Mr. Kirkwood and Mr. Palmisciano the subject was brought to both boards, his and Pascoag Utility's, for a vote. Separately, board members voted to continue researching a possible merger. The result brought the committees to call a meeting.

Mr. Kirkwood thanked HFD for allowing an open discussion. Mr. Kirkwood stated he has taken a hard look at the agenda that Harrisville Fire District has brought forth. He explained he had answers to most questions asked, but in the end it would really depend on the structure that would be agreed upon if the merger took place. Mr. Kirkwood stated that the tax exempt status was something that we all would want to be retained and that it is an important attribute.

A question was asked regarding why the Harrisville Fire Department was suggested to be separated from the water department and also why the electric department would stay.

Mr. Kirkwood answered stating that Pascoag Utility District has a system in place. It has one team member solely working on the water department and that some of the electric department employees are also crossed trained in water distribution operations; letting everyone share resources when needed. The companies would also be able to share administrative departments. Mr. Kirkwood saw an opportunity to combine water departments considering the two companies are already fully connected.

A question was asked if PUD has administrative personal solely dedicated to water.

Mr. Kirkwood responds that Pascoag Utility has shared allocations.

The Administrative staff has set an allocation that makes the most sense; 70% of charges go to electric and 30% of charges go to water. The staff's time is divided between the two departments. Mr. Kirkwood stated that there are 19 employees at Pascoag Utility District; staff members in the office, 1 meter technician, 1 foreman, 1 water superintendent, 5 linemen, 2 tree crew and himself as general manager.

Mr. Kirkwood stated that if there was a new entity that the company would retain all employees. Any future staffing changes would be determined post-merger and staff reductions would only be done through attrition as employees retire or leave the company.

Mr. Kirkwood stated just like when Pascoag Utility District broke away from Pascoag Fire District years ago, the companies went through a charter and changed amendments to existing documents or another option would be to create a brand new charter for the new entity.

Mr. Kirkwood goes on to discuss current terms with USDA. PUD is currently working with USDA for a loan agreement for a cement lining project. Mr. Kirkwood was informed that as long as the new entity assumes the debt from the previous company, which can be written into the legislation, the new entity will be able to continue to receive USDA loans.

A question was asked if there is enough water; and how many wells does Pascoag Utility have.

Mr. Kirkwood stated that well 5 is in operation and produces about 40,000 gallons a day. There are two other very positive wells in

development; one in Burrillville, one in Glocester. As to the well in Burrillville, PUD is very close to submitting the RI-DEM filing to get it online. This well has the potential to produce about 400 gallons per minute. Mr. Kirkwood stated what he likes about the potential merger is the new entity would now have a broader range of wells, either in operation or in development.

A question was asked if there was room for a building at the new well site in Burrillville.

Mr. Kirkwood stated that there is space for a building, PUD has more room back there for future equipment.

A question was asked if that new infiltration gallery well type would change the entities filtration status.

Mr. Kirkwood stated that the design has not been set yet, and that the water that was tested from this location was extremely clean. It will not be filtered as if you are drawing surface water, there may be some level of filtration, but that information is not available as of yet.

A question was asked to Mr. Paul Bisson, the water superintendent of Harrisville. The question was if Pascoag Utility District has a new well online if there will be an impact on Harrisville Fire District's well farther down the river.

Mr. Bisson responded saying his concern was if the new PUD well infiltration gallery would pull MBTE in from the contaminated well nearby.

Mr. Kirkwood responded by saying that was part of the engineering study, which was ran at all different levels, and the results presented were great. Bob Ferrari is the engineer, the company is called

Northeast Water Solutions, Inc.

A request was made to go back to the question of whether or not HFD's well would be effected down river by PUD's new infiltration gallery well.

Mr. Bisson responded stating he does not think there would be an effect and that HFD's well is not under influence of the river.

Mr. Kirkwood stated it is a good question and it is a part of the engineering studies that are underway.

Mr. Kirkwood stated to go back to the question that was previously asked about the totality of the water that the wells provide, either in operation or in development, would give this potential company a solid set of structures for the future. No substantial growth is expected soon in the town, but this would give the opportunity for growth if needed.

A question was asked how much it would cost for the study and audit of the potential merger to be done.

Mr. Kirkwood responded stating both companies spent a significant amount of money to have a rate study done recently based on both PUD and HFD current financials. There was also a financial analysis done that was a part of that rate study. Mr. Kirkwood continued that the net worth between both companies is fairly equal. Mr. Kirkwood stated that you can study and analyze facts about the merger for extended time but it really comes down to whether both parties want and agree to participate. The subject would also need to be brought to a customer vote.

Mrs. Brenda Gingell questioned if when it is brought to a vote if

Pascoag Utility's Electric customers vote or only water customers.

Mr. Kirkwood responded by saying you have to do what is most fair to the customers and think of the electric and water separate. Mr. Kirkwood explained that it is the rate payers currently holding an account that would be able to vote.

Mrs. Gingell explained that Harrisville Fire District does not go to their rate payers for a vote, in HFD's charter it states HFD must go to the Harrisville Fire District's voting list. Whether that voter has water or not they are eligible voters. This includes parts of Mapleville and parts of Nasonville.

A question was asked why Pascoag Utility wants to include the electric portion of the company in the potential merger.

Mr. Kirkwood explained that going back to what he said previously in the meeting it's a matter of sharing resources.

A question was asked if Pascoag Electric is regulated by the Rhode Island Public Utilities Commission.

Mr. Kirkwood responded yes, Pascoag electric is run under Public Utilities Commission (PUC) jurisdiction. He explained that PUD is the only public power company in Rhode Island in the electric side is regulated by the PUC. The general assembly and the PUC have been great to work with, and would want Pascoag Utility or the new entity to be successful and would be supportive in any future changes. Mr. Kirkwood explained he does not think if there was a merger that there would be enough customers for the water side of the company to need to be under the PUC jurisdiction. He expressed that even if that was the case, the PUC has been extremely helpful in the past.

A question had been asked of why the Harrisville water department and the fire department should be separated, why not keep it as one?

Mr. Kirkwood responded by saying that the fire department and the water department are such different businesses. He went on to say that he was not working for the company at the time but Pascoag Utility was once a part of Pascoag Fire District. He said the interests and regulations for both companies became too diverse and severe it was necessary for Pascoag to separate. After the split the general manager and board could completely focus on the utility side of the company. The fire department already knew how to run the fire department side. Mr. Kirkwood explained there were no distractions and the relationship was still very cooperative.

Question was directed to Mr. Palmisiano, asking how the staff was handled and split.

Mr. Palmisciano explained that the staff that was at the Pascoag Fire District at the time stayed and followed to Pascoag Utility District, and the fire department hired from outside. Mr. Jenks added that there were fire commissioners at the time that were overseeing the fire department.

A question was asked regarding the Gloucester well and if PUD has the authority go out outside the Utility District.

Mr. Kirkwood responded saying PUD does in fact have the authority and that it is in the charter.

A question was asked about Pascoag Utility providing water to Invenergy from the contaminated well. If the contaminated well for whatever reason is no longer usable, would PUD sell Invenergy

domestic potable water.

Mr. Kirkwood responded by saying that Invenergy most likely has a backup plan of how they would receive their water, and that PUD would not sell them potable water for process purposes. Mr. Kirkwood explained that Invenergy would be paying all costs associated with remediating the well and installation of any pipe lines necessary, plus money back to the water customers. Mr. Kirkwood expressed that it is his duty on behalf of the water customers to take the opportunity to safely remediate this well for the future use as a clean source again. Remediating the well would be prohibitive for Pascoag Utility to do on its own.

A question was asked on how much water the power plant would use from that well.

Mr. Kirkwood explained that he does not have the exact figure but it is less than what the entire village of Pascoag had been using from that well previously.

A question was asked what buildings would be used for which department, etc. It was stated that the facility also belongs to Harrisville Fire Department not just the water department.

Mr. Kirkwood answered that the logistics would need to be determined in the future.

A question was asked if PUD had been dealing with any water loss issues.

Mr. Kirkwood explained that water loss was a common issue. Last year a company was brought in to perform a water loss survey to take a look at the system for Pascoag Utility. A couple small leaks were

found and were repaired.

A question was asked how Pascoag has been dealing with problems of rusty water.

Mr. Kirkwood responded that one solution has been to do a massive system flushing to remove sediment. As a short term solution all water customers received a rebate, and the company also provides a rebate for whole house filters if installed by the customer. Pascoag Utility has also voted to take out a loan from USDA to reline a portion of the existing pipes. The contractor will clean out the old pipes back to clean metal again and will reline the inside with cement.

The meeting was concluded with both entities agreeing it was best to provide one another with documentation of financial audits, personnel audit, and a physical audit.

Adjournment

• Mr. Place made a motion to adjourn, seconded by Mr. Flynn. The vote in favor was unanimous. The meeting was adjourned at 8:30 pm.

Richard Jenks, Secretary

Board of Utility Commissioners

Morgan Williams, Recording Secretary