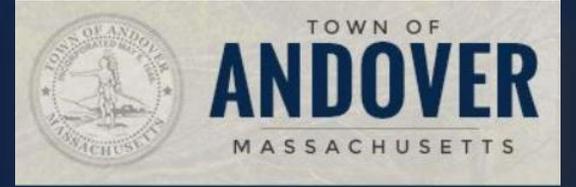




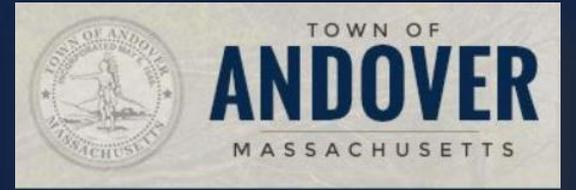
NORTH READING WATER AGREEMENT

**Special Town Meeting
January 29, 2018**

BACKGROUND ON NORTH READING AGREEMENT

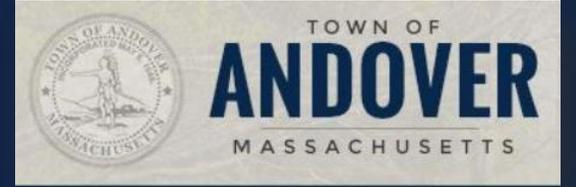


- Andover has provided water to North Reading since 1974
- Currently Andover's largest water customer
- The town entered into formal negotiations with North Reading for a long term agreement in the summer of 2017
- 15+ meetings over 18 months
- North Reading Town Meeting approved Home Rule Petition in October, 2017

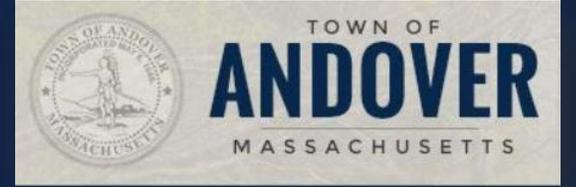


- Authorize the Town to submit a Home Rule Petition with the Massachusetts Legislature to enter into an agreement for up to 99 years

SUMMARY OF CURRENT PROPOSAL

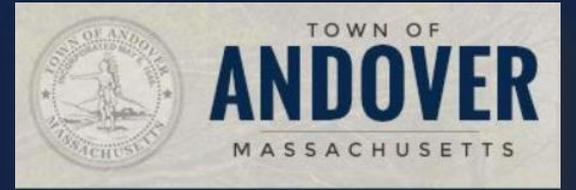


- Proposed contract term: 99 years
- NR Water rate: 95% of Andover's Tier I rate
 - NR requires customers to pay an additional distribution charge of \$4 per HCF
- Rate increase capped at 2.5% for 10 years
- Andover reimburses North Reading costs incurred up to \$953,000 as a billing credit over 10 years



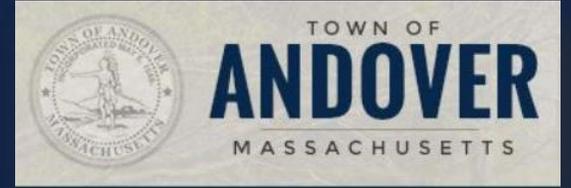
- Without North Reading as customer, in order to sustain the enterprise, water rates would need to increase 28% in 2020 and 4% in 2021

WATER BILLS WITH AND WITHOUT NORTH READING AS A CUSTOMER

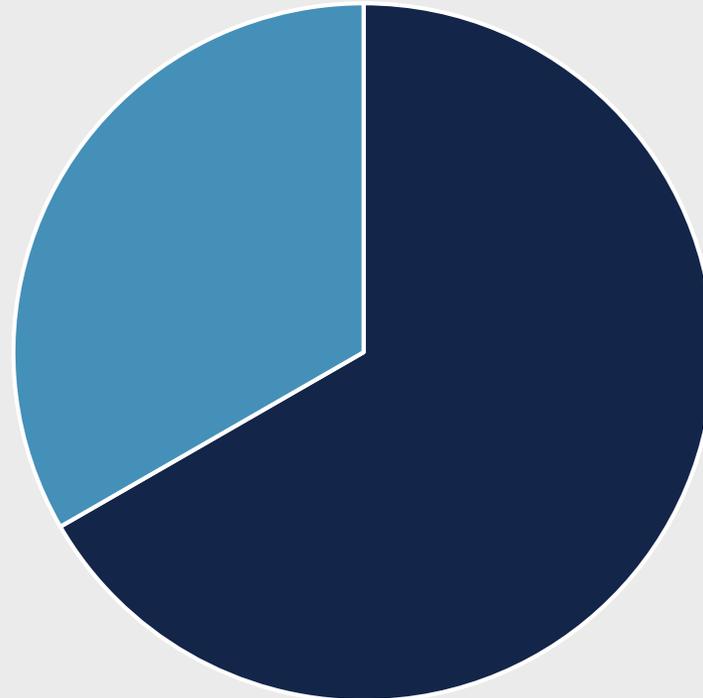


Current average annual water bill	Average annual water bill without North Reading as a customer (+28%)
\$737.76	\$944.32

CAPITAL COSTS

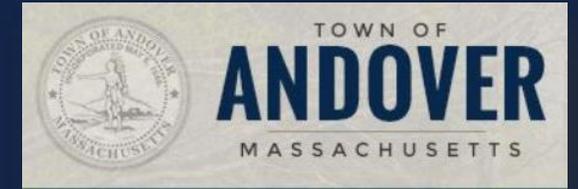


Capital Project Costs
Treatment Plant Electrical Substation: \$5,000,000



■ Andover Customers ■ North Reading Customers

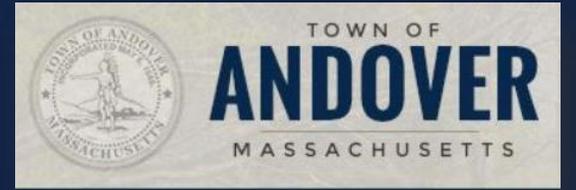
FINANCIAL SUMMARY



- Assumptions: revenue and expenses increase 2.5% per year

Year	Revenue	Expenses	Total Net
1	\$1,769,006	\$376,576	\$1,297,130
10	\$2,209,246	\$470,292	\$14,646,925
20	\$2,828,022	\$602,013	\$34,616,148
30	\$3,620,106	\$770,627	\$60,178,441
99	\$16,866,697	\$2,811,116	\$585,292,171

NEXT STEPS



- State Legislature approves the Home Rule Petition
- Board of Selectmen negotiate an agreement