

Lakeshore References Interviews

Person doing the Interview: Don Kuhn

Date of Interview: 1/17/13

Person being phone Interviewed: Paul Heller, Harkers Hollow Heights Water Association, Harmony Township, NJ

Phone #: **908 619 3510 (Cell)**

Your water system has been given as a reference by Aqua. I am with the Lakeshore Company which is located in Harding, just to the south of Morristown, NJ. We have 95 homes and 3 additional community facilities. We have two pump houses and sodium hypochloride disinfectant systems. I was wondering if I could ask you some brief questions.

Q1: How many homes does your system service?

A: 18, Paul lives in the community.

Q2: How many businesses does your system service?

A: None

Q3: When was your system started?

A: 1950's

Q4: Is your source of water wells (or rivers)?

A: 2 wells. Water is pumped into a 12x12x8 cinderblock storage facility set on land higher than the houses served. Thus, have gravity feed to users.

Q5: How many pump houses do you have?

A: 1

Q6: When were you acquired by Aqua?

A: 2009

Q7: Who owned the system when it was sold?

A: Harkers Hollow Heights Association

Q8: What was the condition of your system when it was acquired?

A: Fair. Lines are all 2" PVC. Leaks have been minimal. Pipe once broken by Township and repaired but subsequently some leakage in the same vicinity were repaired by the Association. Association members were assessed to cover those repairs.

Q9: What were your reasons for the sale?

A: When the system was built, we were exempt from state regulation because we served fewer than 20 houses. The requirements were later changed to require state oversight for systems serving 15 or more houses. With that change in status, it would have been necessary to install chlorinating equipment which would have been a significant expense.

Most of the residents in the development are now retirement age. My neighbor (now in his mid-80's) and I were both qualified as system operators, having taken training and state exams. We also took updating training every 3 years. In addition, we took our own water samples and delivered them to a testing laboratory biweekly.

There was lack of interest by anyone to become certified and willing to do the daily work and also recognition that the system was aging. I investigated the possibility of hiring an operator but that would have been excessively expensive. All this resulted in the Association decision to sell. It was a unanimous decision.

Q10: Has Aqua maintained the system satisfactorily?

A: Yes

Q11: How would you rate their responsiveness to any service issues?

A: My sense is that Aqua stops by once a day to check on the pump and chlorinating equipment.

Q12: What has been their normal response time to any problems, such as leaks or pump problems?

A: Rapid response.

Q13: What upgrades have they done to your system?

A: New chlorinating equipment, meters that are read from the street, and moving pump meters to the top of the pumphouse pit for easier monitoring.

Q14: Did Aqua place any restrictions on your system or institute any major changes?

A: No. All residents are required to be hooked up to the system and cannot drill their own wells.

Q15: What concerns did your community have at the time of sale?

A: Essentially none. One homeowner who had an easement across his property had concerns because Aqua would be crossing regularly to reach the pump house. Aqua and the association settled that (using half of the purchase price of \$19,000 as a settlement with the homeowner) and Aqua built a 10' access road for their small truck to visit the pump. They also installed a fence alongside of the road to provide some privacy for the homeowner. A provision was put into the contract that they would not build anything in the future higher than the existing pump house and holding tank. Individual homeowners received \$500.00 when the sale went through.

Q16: Have there been any problems with billing or customer service?

A: Not aware of any. They seem very responsive. When the system was sold, rates were about \$10.00 per month with an additional charge per 1000 gallons used. The base rate is now about \$13.00. In the past, the Association charged residents \$200 for water annually. For a family of 2, that cost is now in the range of \$360.

Q17: In what kind of shape are the other Aqua owned systems that are included in your rate base? Do you anticipate that major capital investments in the systems in the rate base will cause rates to go up higher than historical averages?

A: I have no knowledge of the condition of other systems owned by Aqua.

Q18: Did Aqua raise the chlorine levels in your system when they took over?

A: They added chlorine to meet State standards.

Q19: Have there been any complaints about tasting chlorine?

A: There have been no complaints from homeowners.

Q20: If you had it to do over, would you still go with them? What is your reason?

A: Yes. In fact, we were ready to give away the system. We were in shock that they offered the money.

Q21: Once the decision was made to sell your water assets to Aqua can you describe how the transition went and how long the process took?

A: Approximately 6 – 12 months. The only special item was settling the easement issue with a resident. The Association had a clause in the contract that Aqua would pay for any legal expenses. Aqua provided the names of 3 attorneys and the Association chose one and did not have to pay the fees.

Q22: If you were to sell your water assets again what would you have done differently?

A: Nothing.

Q23: Would you be willing to email us a copy of your contract of sale so we would know what to expect in this type of transaction?

A: Yes, however the contract is in New Jersey and I am in Florida until May.

Q24: Do you have any additional advice or is there anyone else you think we should talk to?

A: No. I believe that Aqua was fair and we have had no problems. It was necessary for us to get approval of Harmony Township as part of the completion of sale. Prior to the sale, I was thinking of the water operation every day. I've not thought about it now for 3 years.