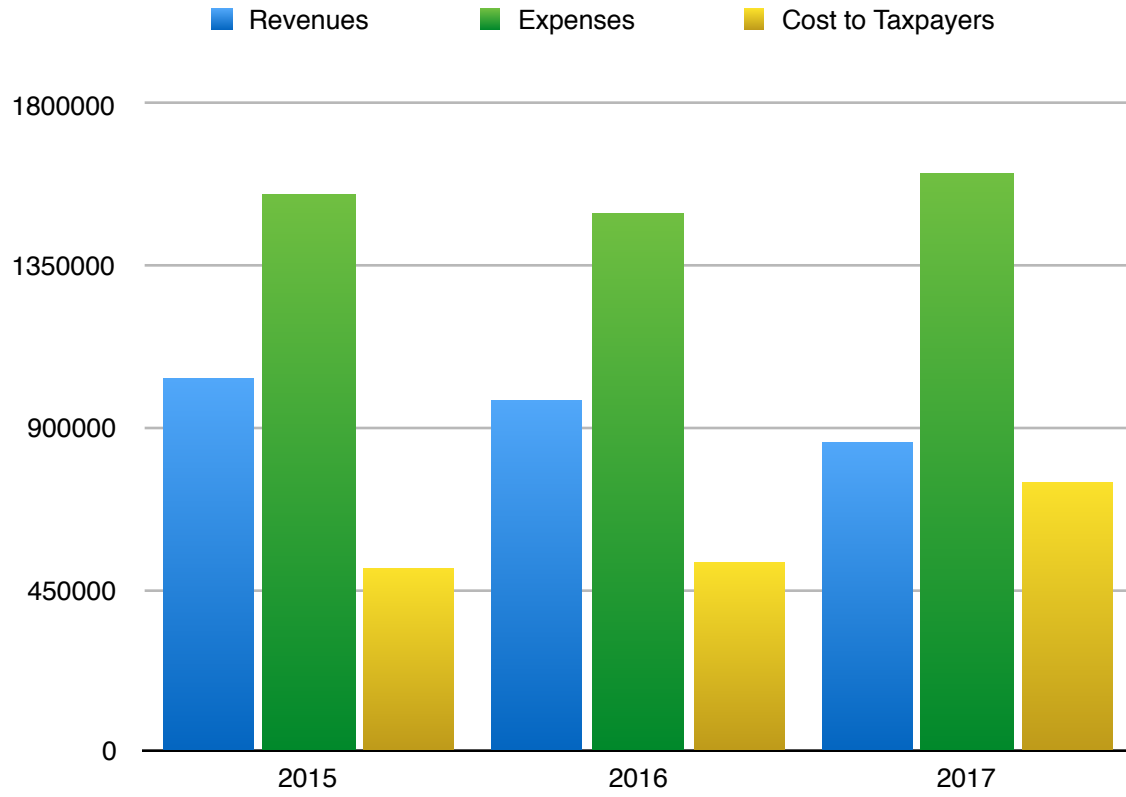


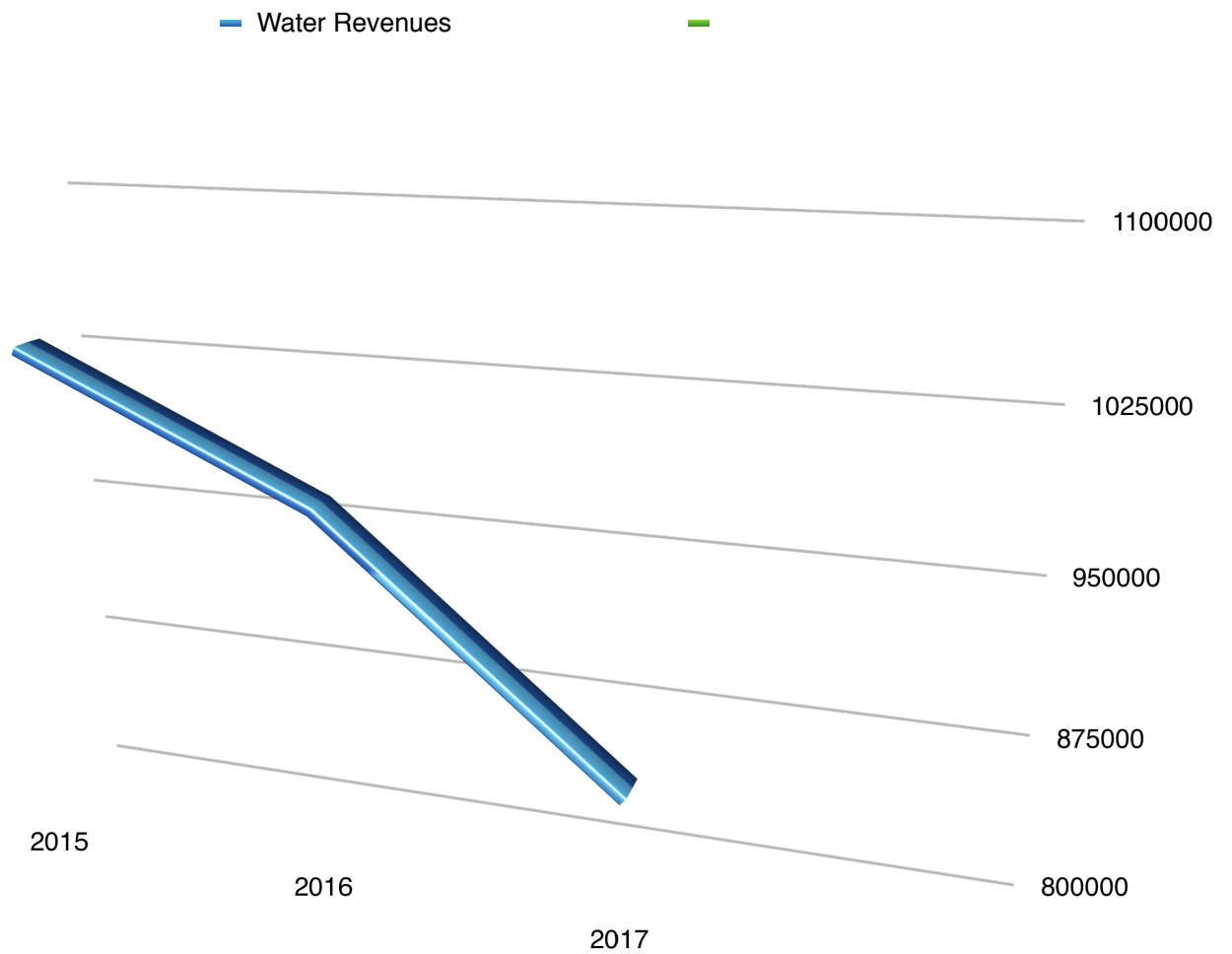
This report, submitted annually, provides the latest three year history of water usage, revenue, and expenditures. Our discussions have centered on the fact that our current pricing structure forces a taxpayer subsidy of the water system, which is detailed below. In the three years measured revenues have declined by 17%, while our 2017 actual expenses, over the three years are up by 3.8%, an average of 1.26% annually. In 2017, using the baseline of \$22,375,000 for the municipal budget, the taxpayer subsidy amounts to 3.3% of our total budget, which is a 43% increase over last year. When combined with wastewater the total subsidy for both Departments equals 8.2% of the total budget, an increase of 20.5% over last year. The revenue numbers are a severe problem, arguably the most prominent factor in the steep increase in the water and sewer “taxpayer subsidy,” a major contributor to the budgetary strain we are feeling. Using dollar figures the overall taxpayer operational subsidy for both Departments is \$1,838,468. When capital is added we can safely put that number over \$2 million dollars annually.

The ongoing rate study will present options for the Board of Selectmen, who are the Water and Sewer Commissioners, to consider.

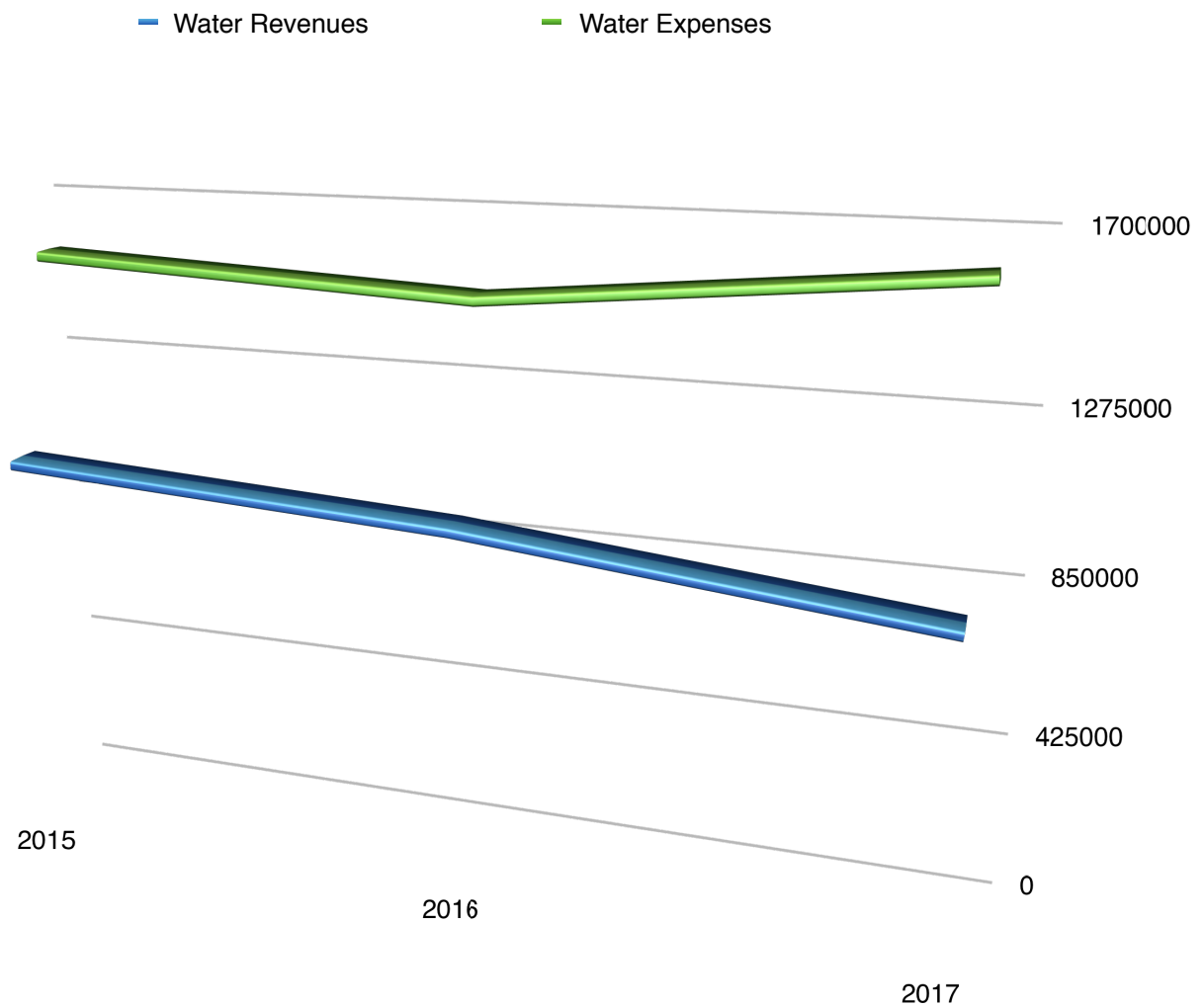
Finally the very important usage by Seabrook Station is broken out separately. Those numbers are referenced below, with a discussion of the general impacts of conservation on our system, and what financial impacts that conservation will bring for the Seabrook Water Department.

	2015	2016	2017
Revenues	\$1,035,511	\$974,121	\$858,483
Expenses	\$1,548,043	\$1,495,857	\$1,607,671
Net Cost to Tax Payers	\$513,000	\$521,736	\$749,188



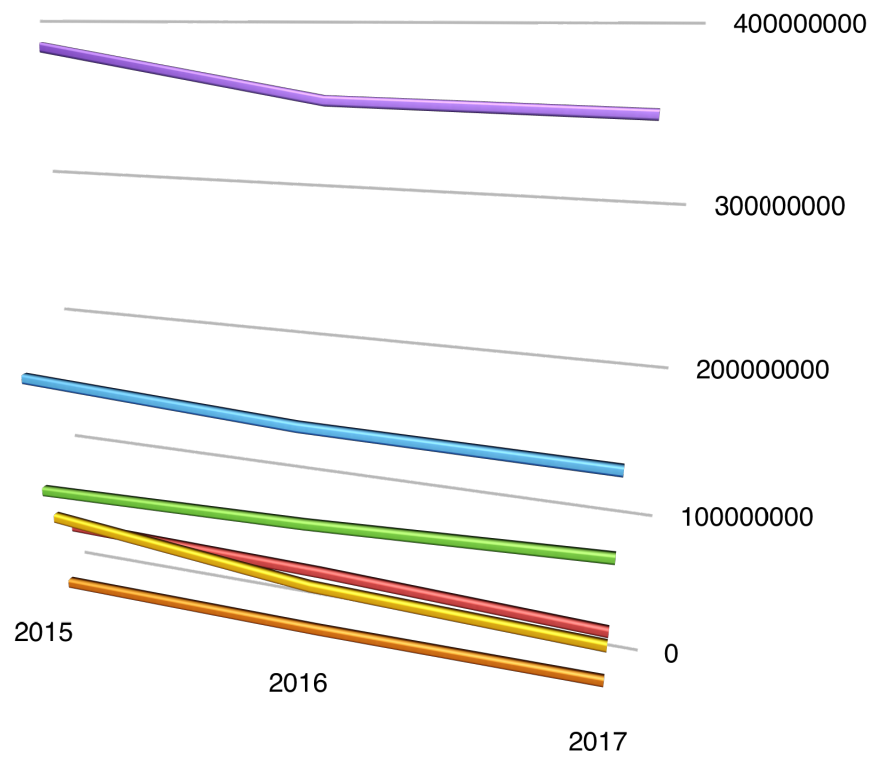


The bend in the three year revenue number is obvious, and quite frankly is not sustainable.



Our cost curve is bending up, but our revenue curve is bending down.

— Residential
 — Commercial
 — Power Plant
 — Church/Town
 — Lost
 — Total

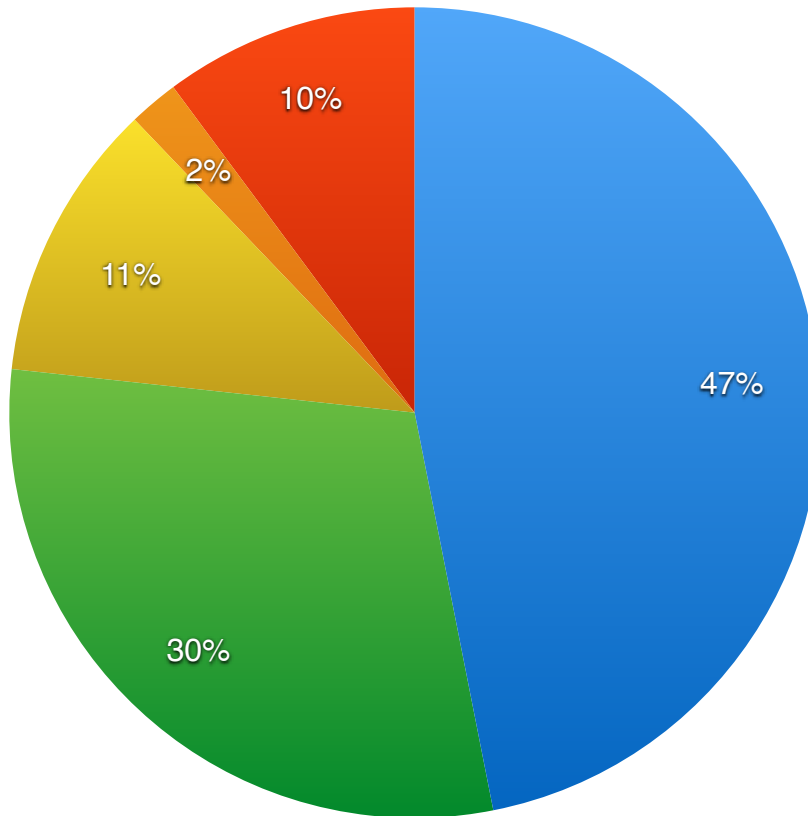


Seabrook Water Pumped	2015	2016	2017
Residential	176,729,748	167,025,869	165,547,373
Commercial	90,378,944	95,752,785	105,294,667
Power Plant	64,519,380	44,610,260	39,345,260
Church/Town/ Unmetered	5,891,881	5,158,705	7,003,332
Lost	46,777,047	43,061,381	35,858,368
Total	384,297,000	355,609,000	353,049,000

The three year numbers show some trends that bear mentioning, highlighted in the three charts below. The first is the usage by Seabrook Station. As a percentage of our system, and in total gallonage used, the plant has had a steady decline in usage. That three year trend is somewhat skewered by the heavy utilization in 2015 that was driven by a technical issue that was corrected. Even taking that into account the decline from 2016 to 2017 was a full two percentage points of our overall system. In light of the supply strains on our system that decline is good news, but it also has revenue ramifications that we will look at below. One other notable statistic is the increase, as a percentage of our overall system, of the commercial segment, which has increased from 24% in 2015 to 30% in 2017. One note on how I have changed the metrics from prior reports. I have added “unmetered” to the Church/Town category, removing it from “lost.” I have done so for all three years looked at here, so the metric is constant for this report. (An example of “unmetered” would be hydrant flushing.) The amount of “lost” water has gone down in total terms, and as a percentage of our overall system. That is excellent news. Overall water pumped is down slightly, again good news in light of the scarcity issue, but with revenue implications that are very important for us to consider.

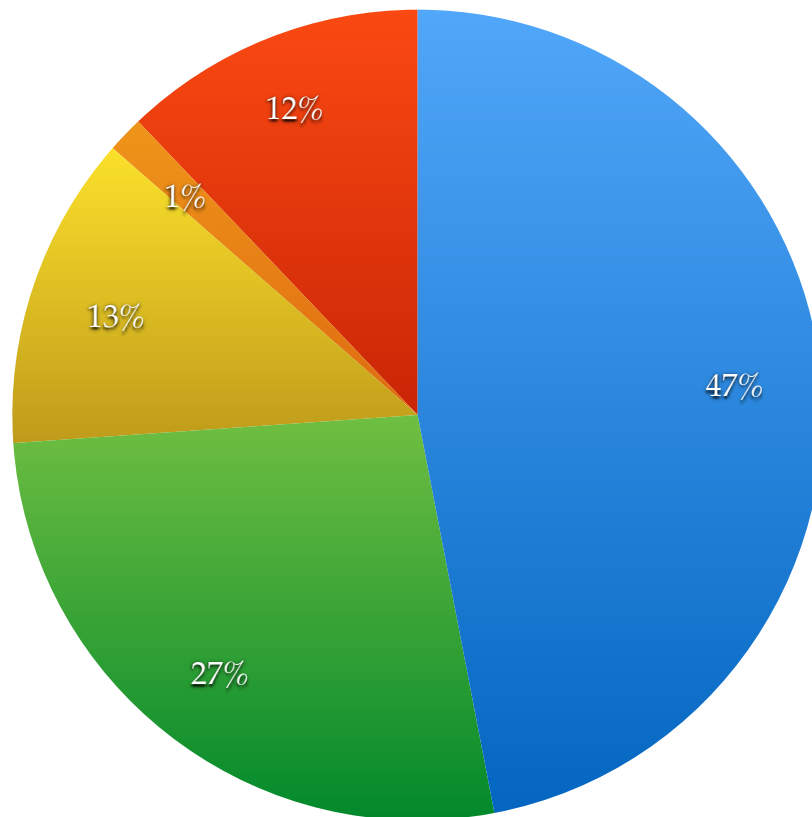
2017 Water Usage by Category.

● Residential ● Commercial ● Power Plant ● Church/Town ● Lost



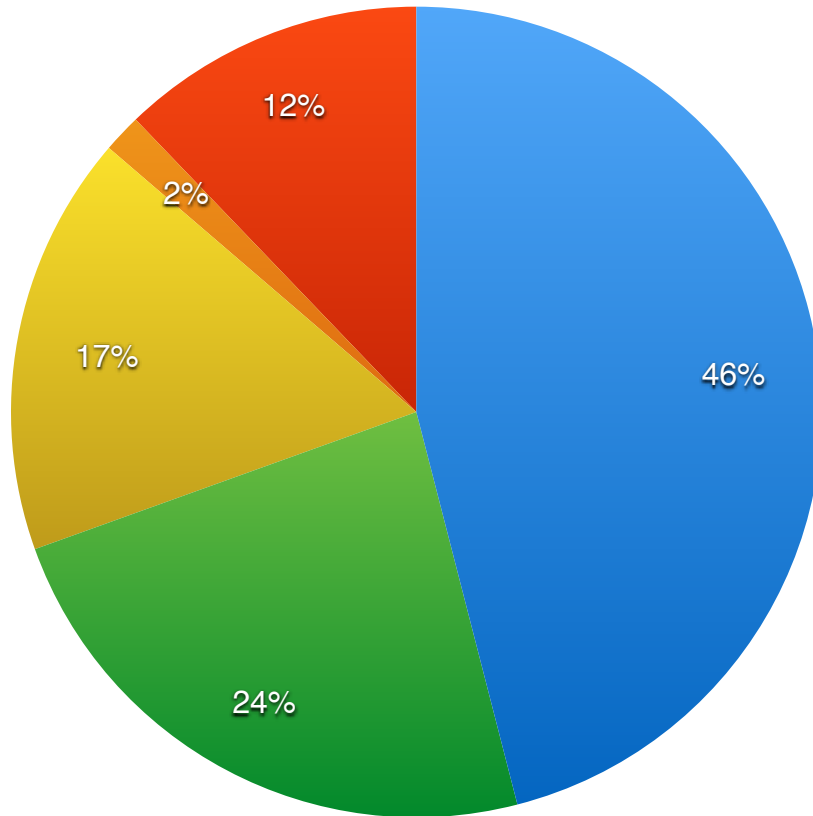
2016 Water Usage by Category

● Residential ● Commercial ● Power Plant ● Church/Town ● Lost

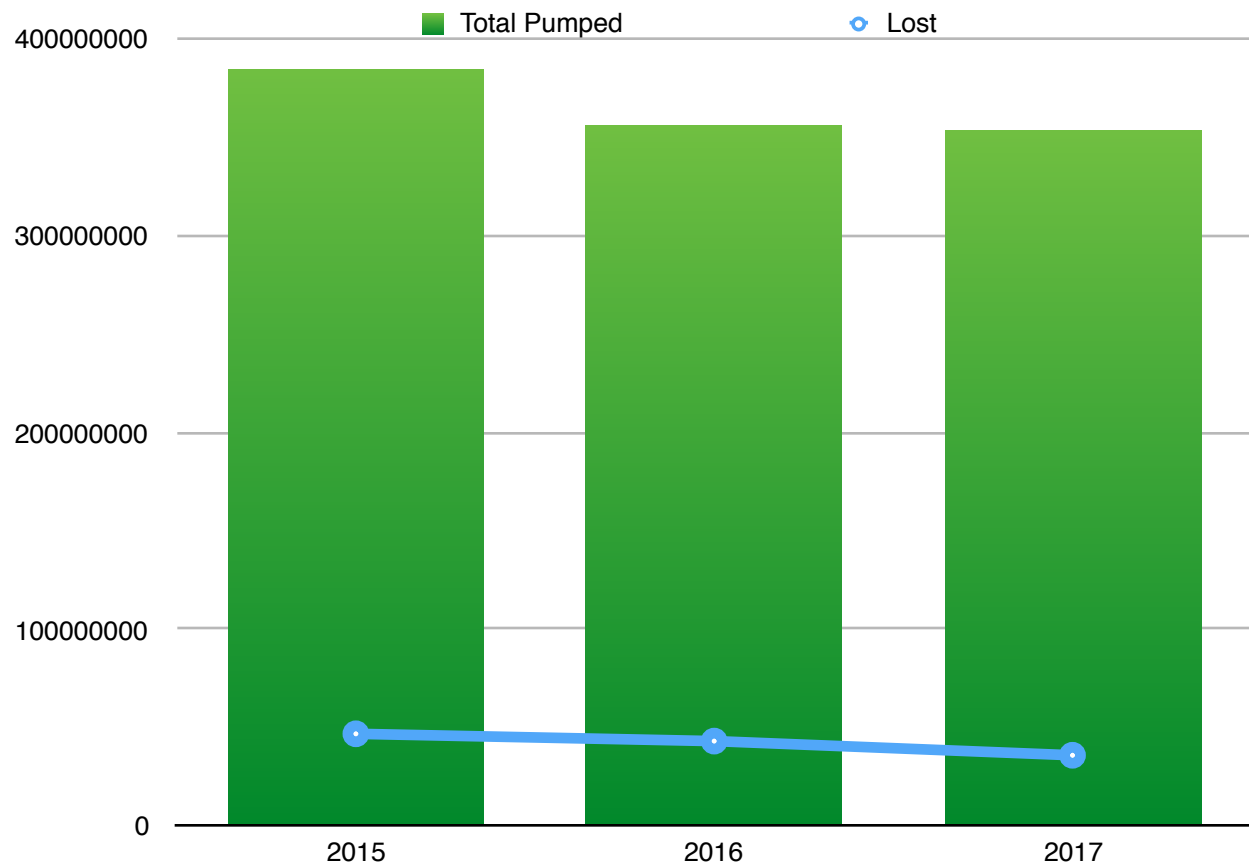


2015 Water Usage by Category.

● Residential ● Commercial ● Power Plant ● Church/Town ● Lost



The percentage of "lost water" is 12.1% for 2015, 12.1% for 2016, and 10.1% in 2017. There is a significant improvement in these numbers for 2017, and that is good news.



The Water Budgets show a 4 year increase of 8.5%, an average of 2.12% per year. This budget has funded the tax-payer approved collective bargaining agreements of 2015, and of 2017, and in light of that are quite modest.

Water Budgets	Amount
2015	\$1,595,745
2016	\$1,651,265
2017	\$1,741,553
2018 (proposed)	\$1,731,214

The Water Capital budgets, including all of the proposed 2018 requests, are included. It should be noted that the 2018 number includes a requested re-authorization of a prior article for \$525,000. When that double counted number is removed the 2018 request is \$1,332,000. Looking at the capital requests is vital, as the “operating subsidy” highlighted above does not include capital costs. With aging infrastructure in sewer, and the need to develop new supply sources in water, it can be safely forecasted that capital requirements in each Department will continue to accelerate. With the current financing system these future investments, vital for the future of Seabrook, will be significantly more difficult to achieve.

Water Capital Budgets	Amount
2015	\$158,000
2016	\$1,042,000
2017	\$257,000
2018 (proposed)	\$1,857,000

The impacts of conservation need to be discussed in general terms. Water systems, by virtue of their makeup, have fixed costs that are not very movable by changes in gallonage pumped. Increases in water demand, on an incremental basis, do not raise the “fixed” costs of the system. The “variable” costs associated with an extra gallon of water pumped are negligible, which is why, leaving aside the issue of scarcity, it is financially advantageous to pump more water, even at lower incremental pricing. Conversely when your gallonage drops you do not see much of a drop in system expense, which tends to drive up the cost per gallon for existing users. That is a slight overview, but an important concept for the Board as we confront problems that lead us into solutions that create additional strains. (The more we conserve the higher the unit costs become for existing users.) These issues can be more fully vetted as part of the process with the pricing consultants.