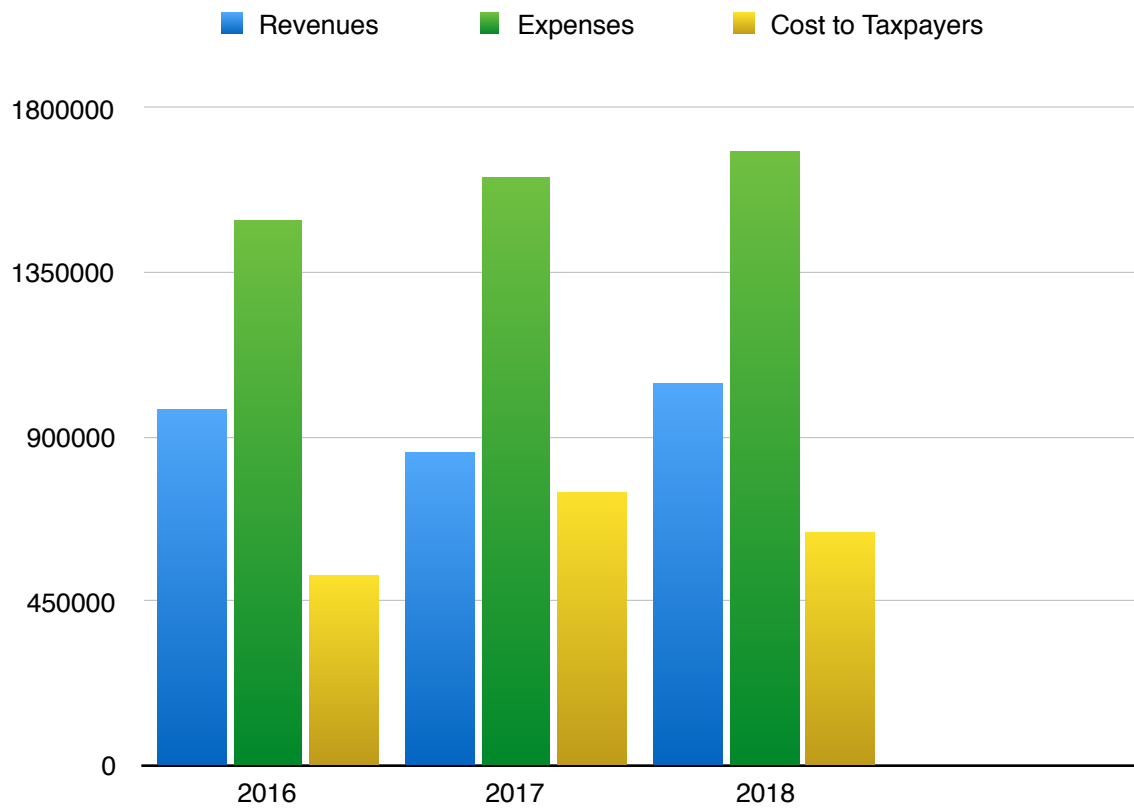
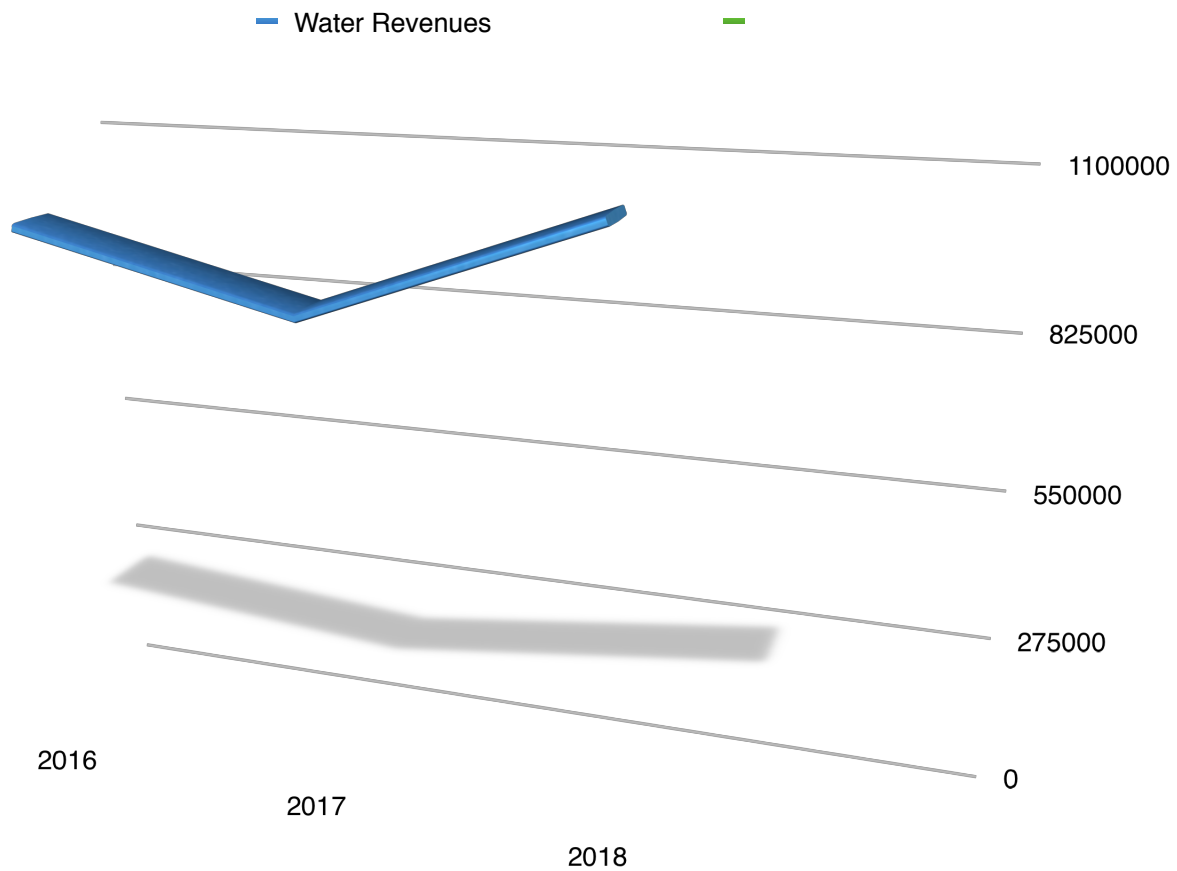


This report, submitted annually, provides the latest three year history of water usage, revenue, and expenditures. Our discussions have centered on the fact that our prior pricing structure forced a taxpayer subsidy of the water system, which is detailed below. The data presented here for FY 2018 represent the last year under the prior rate system, which was changed, effective January 2019, by the Board of Selectmen. In the three years measured revenues have increased by 7.3%, while our 2018 actual expenses, over the three years are up by 12.7%, an average of 4.23% annually. In 2018, using the baseline of \$22,903,403 for the municipal budget, the taxpayer subsidy amounts to 2.8% of our total budget, which is a decrease from the 3.3% subsidy in 2017. When combined with wastewater the total subsidy for both Departments equals \$1.8 million, or 8% of the total budget, a slight decrease from last years report. When capital is added the number moves to \$1.9 million.

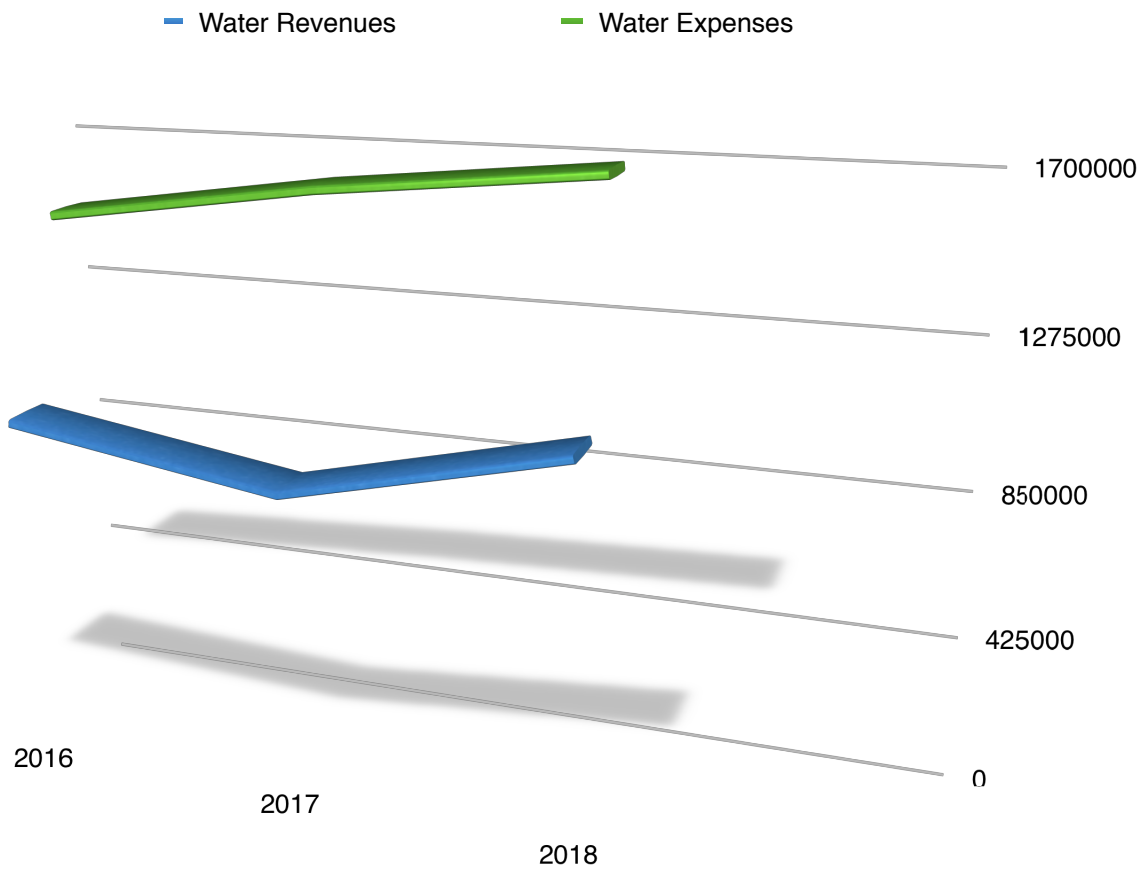
Finally the very important usage by Seabrook Station is broken out separately. Those numbers are referenced below, along with a discussion of the potential for the inclusion of capital costs in our rate system, as well as the potential for a move to enterprise accounting in water and sewer.

| | 2016 | 2017 | 2018 |
|-------------------------------|-------------|-------------|-------------|
| Revenues | \$974,121 | \$858,483 | \$1,045,443 |
| Expenses | \$1,495,857 | \$1,607,671 | \$1,686,414 |
| Net Cost to Tax Payers | \$521,736 | \$749,188 | \$640,971 |



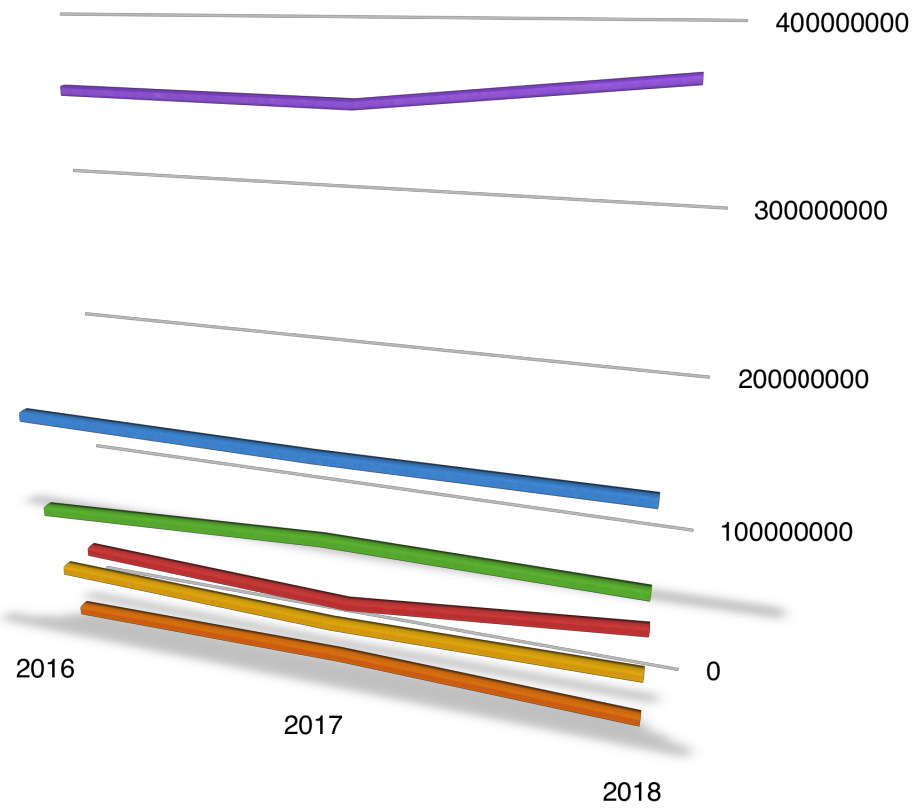


The 2018 revenues have upturned by 21% over the 2017 revenues. The 2017 number was a decline over 2016, and may be an outlier. Revenue is up a more modest 7.3% over 2016.



Our cost curve continues to bend up, and revenues, while up year to year, remain essentially flat over the longer term.

Residential Commercial Power Plant Church/Town/Unmeter
Lost Total

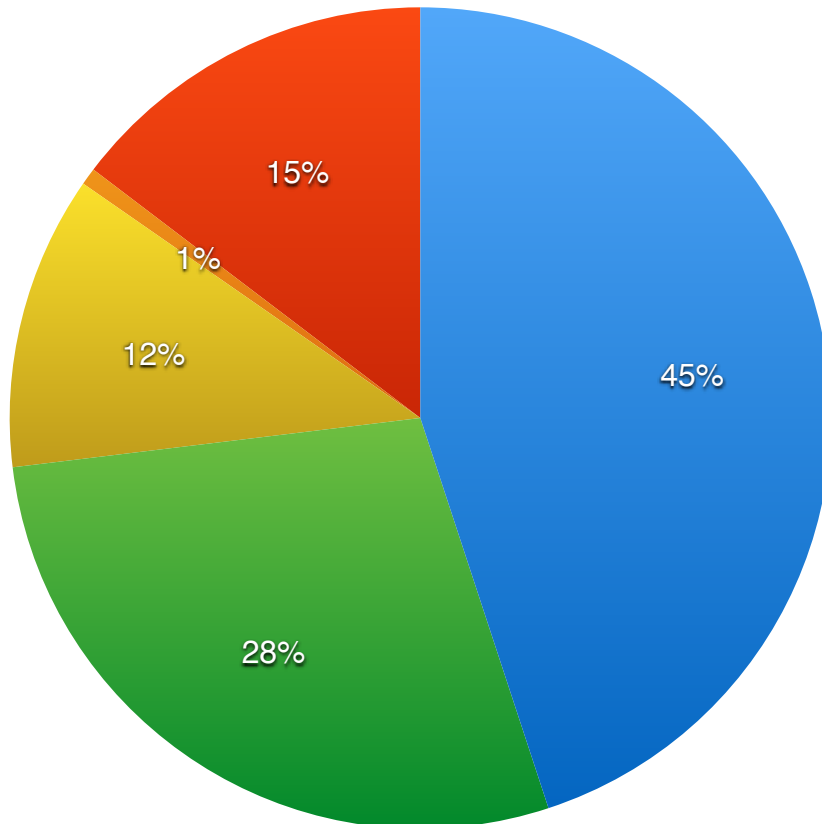


| Seabrook Water Pumped | 2016 | 2017 | 2018 |
|------------------------------|-------------|-------------|-------------|
| Residential | 167,025,869 | 165,547,373 | 167,270,429 |
| Commercial | 95,752,785 | 105,294,667 | 104,704,220 |
| Power Plant | 44,610,260 | 39,345,260 | 43,115,266 |
| Church/Town/Unmetered | 5,158,705 | 7,003,332 | 2,505,176 |
| Lost | 43,061,381 | 35,858,368 | 54,548,759 |
| Total | 355,609,000 | 353,049,000 | 372,143,850 |

The three year numbers show us some trend lines that bear watching. The first data point is the overall water pumped, which increased by 5.4%. I consider that to be a significant increase. It is the largest overall volume pumped, with the exception of 2015, since 2010. This increase was driven by several factors. The first is the usage by Seabrook Station. The 2017 report showed that Seabrook Station usage had leveled off, and was actually declining, after the outlier year of 2015. That trend was reversed with the 2018 numbers, which show an increase in utilization of 9.5%. That increase brought Seabrook Station up to 12% of the total system, from the 11% of 2017. The non-plant commercial sector dropped usage by 5.6%, with their share of our system dropping to 28% from 30% in 2017. The residential sector increased by 10.4% but still declined as a percentage of the overall system, from 47% to 45%. The amount of “lost” water increased dramatically in 2018, rising by 52%, and going to 15% of the total system. That is a number that has fluctuated, with similar percentages in 2010 (15.13%) and 2014 (14.30%). It is simply too high, and we will need to work to reduce it. The three charts below break down each of the three measured years, with percentage rounding bringing totals slightly at variance with 100%.

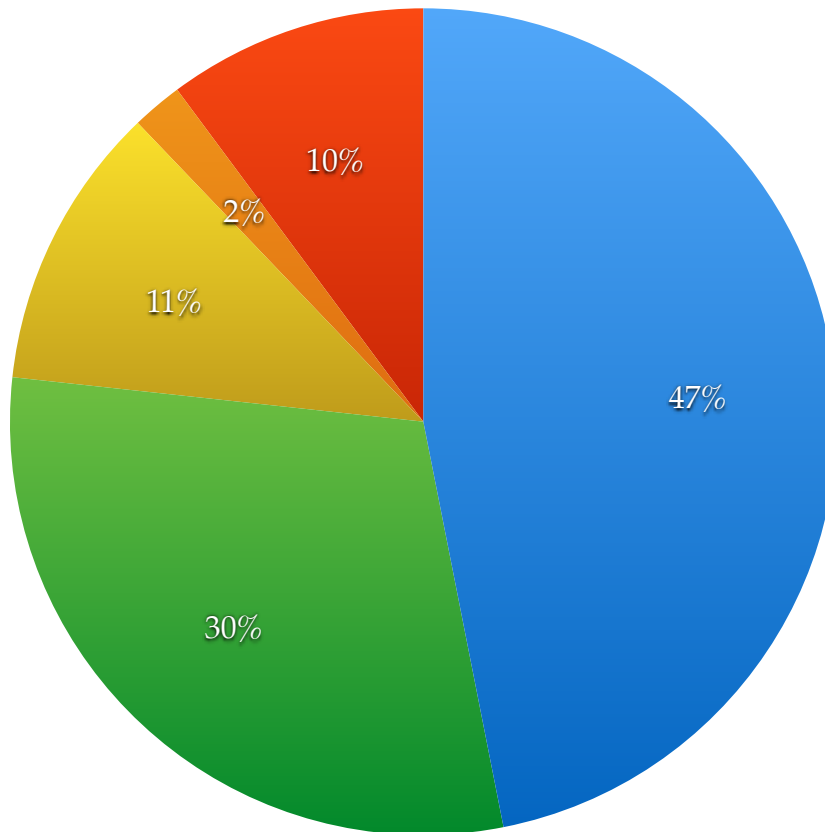
2018 Water Usage by Category.

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



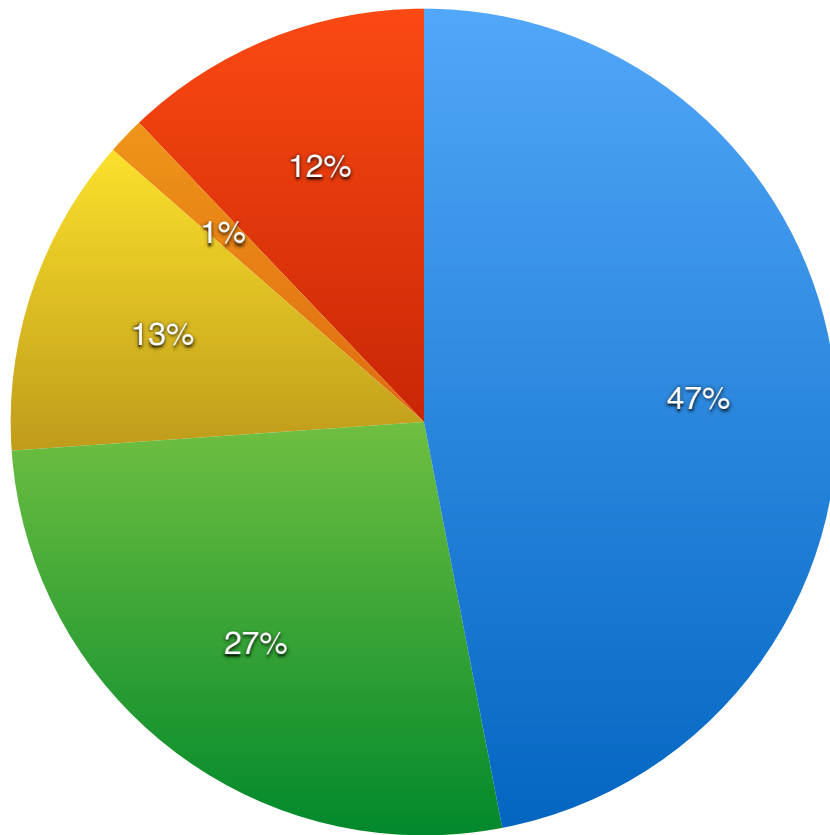
2017 Water Usage by Category

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

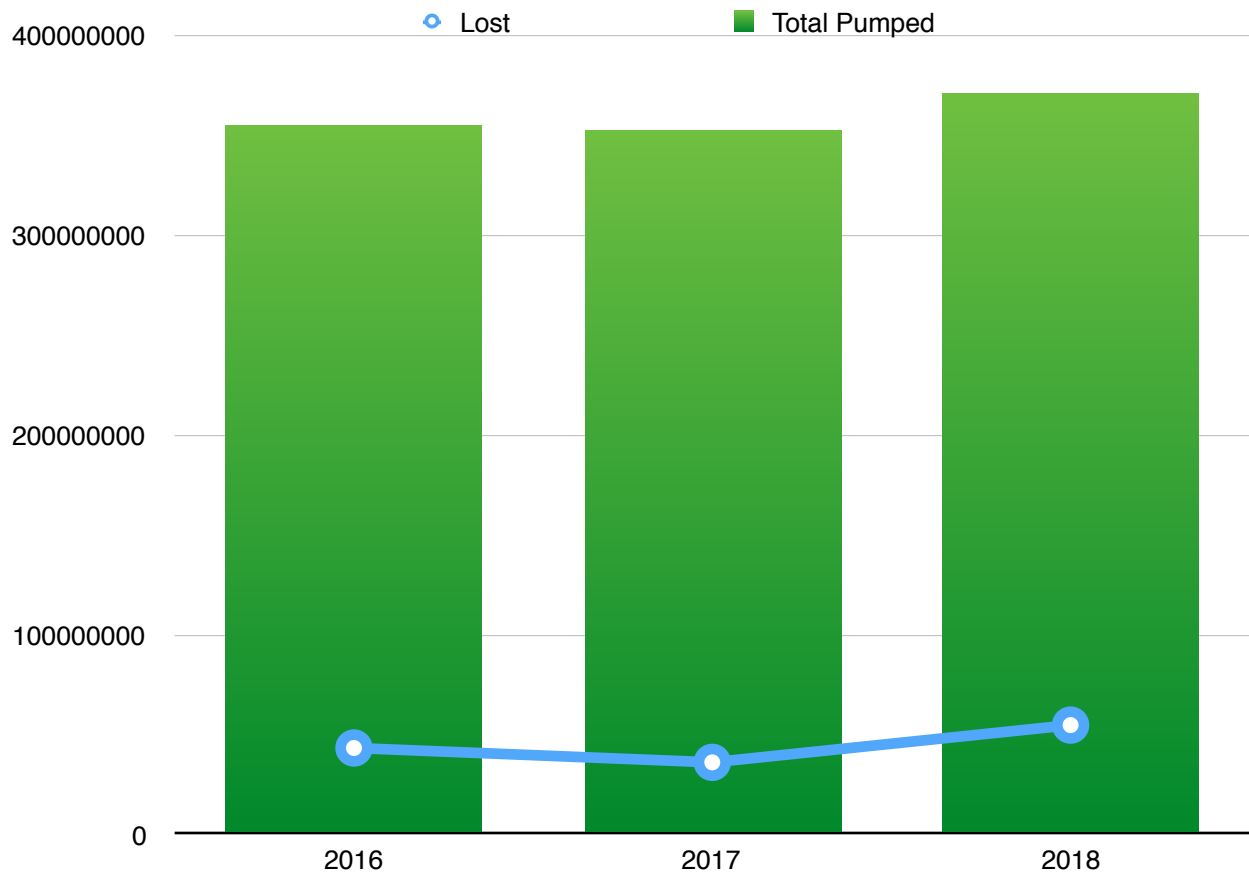


2016 Water Usage by Category.

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



The percentage of "lost water" is 12.1% for 2016, 10.1% for 2017, and 14.6% in 2018. There is a significant increase in this category in 2018. .



The Water Budgets show a 4 year increase of 6.5%, an average of 1.62% 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 |
|-----------------|-------------|
| 2016 | \$1,651,265 |
| 2017 | \$1,741,553 |
| 2018 | \$1,731,214 |
| 2019 (proposed) | \$1,757,879 |

The Water Capital budgets, including all of the proposed 2019 requests, are included. It should be noted that the 2019 number includes both the Fogg property acquisition and the critical maintenance of both of Seabrook's water towers. Looking at the capital requests is vital, as the "operating subsidy" highlighted above does not include capital costs. You can safely increase the listed subsidies in each of the three measured years by the capital costs incurred below. In 2016 the actual taxpayer subsidy was \$1,563,736 (\$521,736 plus the capital of \$1,042,000) 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. The new rate system does not include capital costs, and future looks at system pricing should re-examine this issue, as the exclusion of capital costs appears to favor larger water users who have created the demand that forces the search for new water, and the need for major capital spending to fund that search.

| Water Capital Budgets | Amount |
|-----------------------|-------------|
| 2016 | \$1,042,000 |
| 2017 | \$257,000 |
| 2018 | \$50,000 |
| 2019 (proposed) | \$2,952,700 |

The impacts of the new water pricing system will be felt in 2019, with system revenues projected to match system expenses (less capital.) It is important to note that these are projections by our pricing consultant that will need to be monitored closely. It is understood that water pricing increases usually lead to water conservation, and less overall demand. How that dynamic impacts the 2019 numbers will tell us if adjustments are needed going forward. The issue of creating enterprise accounting for the water and sewer departments has been discussed at the Budget Committee, and can be a focus for further board discussion in the future.