

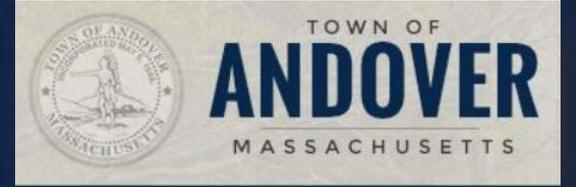


TOWN OF ANDOVER
NORTH READING WATER AGREEMENT

Overview of Final Terms

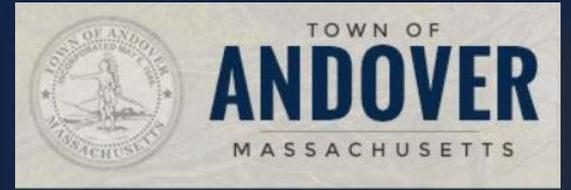
May 30, 2018

BACKGROUND



- North Reading has been purchasing water from Andover for 44 years
- Selling water to North Reading is a valuable revenue source for Andover and it keeps water rates low for Andover residents and businesses
- Boards of Selectmen in Andover and North Reading agreed to a summary of terms for a potential long term agreement in September of 2017
- On April 4, 2018, Andover Special Town Meeting voted to approve a home rule petition to seek authorization from the Massachusetts Legislature to enter a 99-year agreement

OVERVIEW OF FINAL TERMS



The final agreement includes the following summary terms presented in the Finance Committee Report for Andover's April 4, 2018 Special Town Meeting.

Summary of Terms

Inter-Municipal Agreement for Potable Water Service

SUPPLIER:	Town of Andover, MA ("Andover")
CUSTOMER:	Town of North Reading, MA ("North Reading," and together with Andover, the "Towns," or, individually, a "Town")
SERVICE PROVIDED:	Up to 2.6 million gallons per day (MGD), maximum day demand, effective July 1, 2019. Option for up to 3.0 million gallons per day (MGD) after six years, subject to permitting and appropriation.
CAPITAL EXPENSE:	Andover will be responsible for capital expenses in Andover related to the delivery of potable water to the North Reading town line.
COSTS INCURRED:	Andover will reimburse North Reading's costs already incurred to join the MWRA, up to [\$953,000], which costs will be reimbursed by Andover through credits to North Reading's water invoices, starting July 1, 2018 in the amount of \$95,300 annually, ending on the date North Reading executes a long term agreement with the MWRA. North Reading will provide Andover with documentation acceptable to Andover for all such costs assumed.
WATER RATE:	95% of Andover's Tier 1 Rate, with annual increases not to exceed 2.5% for a term of 10 years.
TERM:	99 years pending each Town's Town Meeting and Legislative Approval.
SERVICE QUALITY AND QUANTITY	Andover to be responsible for water meeting all state and federal guidelines at time of delivery to the North Reading town line. Any reductions in water service quantities, caused by water bans/restrictions and the like, to be borne proportionately by the two Towns based on usage volumes. Both parties agree that all water limitations placed by Andover on its users will be applied equally to North Reading.

BACK-UP WATER SUPPLY TO READING:

The Towns agree to commit to working with North Reading to establish Andover as the emergency back-up water supply for the Town of Reading, to the extent feasible, through North Reading's water infrastructure (the "Reading Transaction"). Entry by Andover into any definitive agreement relating to the Reading Transaction will be contingent upon Andover being appropriately indemnified and held harmless.

PERMITTING/ APPROVALS:

Each Town to be responsible for their own municipal approvals. The Towns will cooperate in obtaining any necessary "Home Rule" petition. Andover will coordinate and obtain any Andover permits to deliver water in accordance with this agreement. Andover will provide engineering and administrative support needed to obtain permits to assist North Reading with inter-basin transfer permitting.

EXTENSION OF CURRENT INTER-MUNICIPAL AGREEMENT:

The Towns will extend the current inter-municipal agreement for one-year extension of the existing agreement on the above terms, with automatic renewal to a second year unless notice is given by North Reading before November 1, 2019. All existing terms of the current Inter-Municipal Agreement between the Towns will remain in full force and effect, with the exception of the Water Rate, which shall increase by 5% beginning July 1, 2018, 0% beginning July 1, 2019, and 2.5% beginning July 1, 2020.

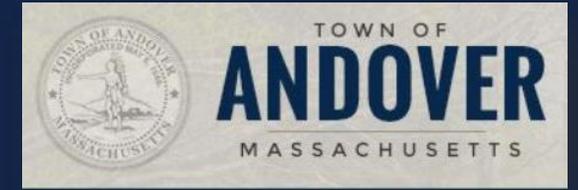
NEW LONG TERM SUCCESSOR AGREEMENT:

If the parties agree to a long-term Successor Agreement, Andover agrees to set the effective rate of 95% of Andover's Tier 1 rate retroactively to the beginning of the fiscal year in which the Successor Agreement is executed.

SEWER COLLABORATION:

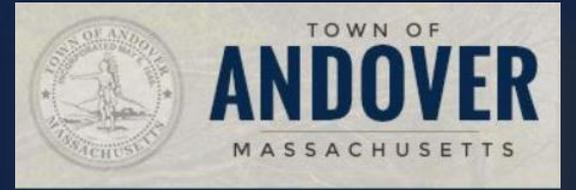
Andover recognizes that North Reading intends to further investigate the feasibility of connecting through Andover's sewer network to the Greater Lawrence Sanitary District sewer treatment facility. Andover is committed and will fully cooperate with this effort.

WATER RATE



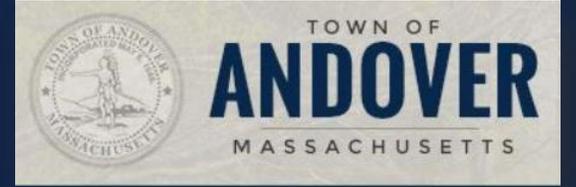
- North Reading will pay a wholesale water rate equal to 95% of Andover's Tier I rate
- Per approved summary of terms the 95% of Tier I rate will be effective on July 1, 2017
- If Special Legislation is changed or does not pass, the agreement in its current form would be terminated and water rates would be subject to existing IMA
- The Andover Board of Selectmen acting as Water Commissioners will be setting the rate throughout the duration of the agreement

WATER RATE



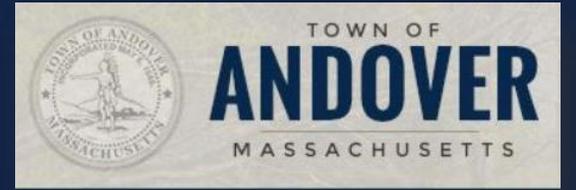
- The water rates that all customers pay for water system expenses:
 - labor, equipment, and materials needed for treating and supplying water
 - water system maintenance and improvement projects
- Through payment of water bills North Reading will pay about 1/3rd of all of our water system capital projects (*without this agreement, Andover residents and businesses would have to pay for these alone*)
- Andover is only responsible maintaining systems to provide water to the town line, not any maintenance and improvements in North Reading

SOLE PROVIDER



- Andover will be sole provider of water to North Reading for up to 3 million gallons per day over a 99-year term subject to permitting by both parties
- Andover will have the right of first refusal to provide any additional gallons over 3 million gallons per day needed by North Reading

OVERVIEW OF FINAL TERMS



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Sole provider language in Section 2.1L

Sections 2.1A and 2.1L and 3.6B

Section 2.1G

Section 3.6

Sections 1.1J and 3.1.1A.1 and 3.6B

Section 4.8

Sections 2.1D and 2.2 and 2.3B

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Section 2.4B

PERMITTING/ APPROVALS:

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Sections 2.4A and 2.1A.1

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Sections 4.1 and 4.8

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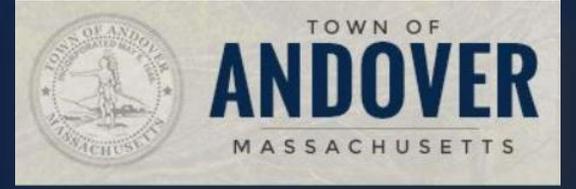
Section 4.8

SEWER COLLABORATION:

Andover recognizes that North Reading intends to further investigate the feasibility of connecting through Andover's sewer network to the Greater Lawrence Sanitary District sewer treatment facility. Andover is committed and will fully cooperate with this effort.

Section 2.4C

NEXT STEPS



- The Boards of Selectmen in Andover and North Reading to take final vote on or before June 4th and sign the agreement
- Approval of the Home Rule Petition from the Massachusetts Legislature and by the Governor to enter into a 99-year agreement
- The Boards of Selectmen in Andover and North Reading sign the agreement again to ratify the 99-year term within 14 days of the effective date of the legislation
 - Penalties assessed if either party fails to ratify the agreement after legislation is approved