Membership FAQ

Updated: 11.10.25

This document is intended to address Frequently Asked Questions related to the non-profit conversion of the water company and the wastewater plant upgrade project.

NON-PROFIT MEMBERSHIP

Q: Why is the water company becoming a non-profit?

A: The decision to convert the water company to a non-profit was driven by the need to raise grant funds to help cover the costs of the wastewater plant upgrade that would otherwise need to be paid for by rate payers. As a non-profit, we are eligible for grants that as a private, for-profit company, we were not. To date, we have secured $2MM in grants funds for this project that would not otherwise have been available to us and we have an additional $1MM in grants funds pending approval in congress that we also would not have been eligible for.

Q: Why are we asking customers to become members under the new non-profit structure?

A: The type of non-profit available to a utility company is designated as a 501(c)12, which requires a membership model. In order to remain a 501(c)12, at least 85% of the company's revenue must come from members. Since the revenue of the water company is derived from its water and sewer rates, customers representing at least 85% of the rate revenue must become members in order to maintain our non-profit status.

Q: Will members of the new non-profit assume any person liability for the water company?

A: No. Members of the new non-profit will not assume any personal liability for the water company.

Q: Will those who choose to become members of the non-profit have any financial exposure that does not also apply to those who choose to remain customers?

A: No. There is language in the bylaws that makes it clear that members may not be subject to any financial exposure that is not equally applicable to all customers.

Q: Will special assessments be possible under the non-profit? Is that the same or different as what was the case under the former water company?

A: Yes. Special assessments are possible in the non-profit structure. Special assessments were also possible as a private utility. There is language in the Bylaws of the non-profit that specifies that special assessments may only be levied for urgent need and as a measure of last resort.

Q: What rights do members have that non-member customers do not?

A: Members have several rights that non-member customers do not. The following is a summary of the member rights:

1. Voting rights
   - Members have the right to vote for their class's board representative every 3 years (Residential Members vote for the Residential Rep; Commercial Members for the Commercial Rep).
   - Members also have the right to remove their class's board representative with a 2/3 vote of their class and, together, can remove the Manager with a 2/3 vote of each class.
2. Meetings & financial reporting
   - The Company must hold an annual meeting of Members.
   - An annual financial report must be presented to the Members at this meeting, and finances must be reviewed annually by a CPA.
3. Access to organizational records
   - Members have rights to review the Articles of Incorporation and Bylaws of the company and the annual financial report.
   - Members also have a right to inspect organizational records including meeting minutes, and the membership list.

Q: With respect to the projected rate increases, how will the rate increases effect the commercial customers? Will there be any difference in rate increases between the commercial and residential customers?

A: Rate increases will be applied equally to both residential and commercial customers.

Q: Will the water company stay under the jurisdiction of the Public Utility Commission ("PUC") with respect to drinking water rate setting as a non-profit?

A: Once 100% of the customers have converted to members, then we expect to exit the jurisdiction of the PUC. Anything less than 100% membership, even just one person, will mean that we will remain under the jurisdiction of the PUC.

Q: Is it common for water companies to operate outside the jurisdiction of the Public Utility Commission ("PUC")?

A: Yes, very few water companies are under the jurisdiction of the PUC. Municipal and 100% member owned non-profit water utilities are self-governing.

Q: What are the pros and cons of being regulated by the PUC vs. not regulated by the PUC?

A: The PUC currently regulates the tariff and rate structure of the drinking water system, which may provide added confidence to customers that drinking water rate increases are necessary and fair. However, rate cases and all hearings before the PUC are both costly and time consuming – an estimated $10,000 and 6-months per case, which costs must be passed on to ratepayers. Additionally, due to the time and expense of bringing rate cases before the PUC, it is not feasible to increase rates on an annual basis, which means there will be fewer but more significant rate increases. For more information on this, see the presentation slides for the August 13, 2025 Community Meeting.

Q: Will the regulation of the water company's permits change with the transition to the non-profit?

A: No, the permits associated with operating the drinking water and wastewater systems will remain under the jurisdiction of the Vermont Agency of Natural Resources.

WASTEWATER PLANT UPGRADE

Q: Why is the wastewater plant upgrade necessary?

A: The current wastewater plant is aging. A study commissioned in 2021 (and posted on the member page of the website) put the remaining life of the core (RBC) treatment system at 2-5 years. Additionally, the system has no redundancy, which puts our community at risk of a catastrophic failure. Careful planning over the past five years has resulted in the current design and significant grant funding to help off-set the cost to the rate payers. More detail on this can be found in the presentation slides for the August 13, 2025 Community Meeting.

Q: Does the proposed new development (the so-called Picnic Loop Development and the employee housing project) depend on the wastewater plant upgrade to accommodate the additional demand on the water system? Are there any costs baked into the upgrade that are necessary to support this development?

A: The new condo development and the employee housing project are not reliant on the wastewater plant upgrade. The water system has sufficient existing capacity to support these new developments. Water permits for the projects have already been issued and do not require any upgrades to or expansion of the drinking water or wastewater infrastructure. The water company will not incur any costs associated with the new condo development or employee housing project.

Q: How are the wastewater plant project and the planned condo development project connected? Why are they moving forward together if the wastewater upgrade is not required to support the condo project?

A: The wastewater upgrade and the condo project *have* been planned strategically to move forward at the same time for the following reasons:

1. By synchronizing the two projects, we were able to apply for, and were successful in being awarded, a $3MM multi-jurisdictional grant from the Northern Borders Regional Commission. This grant will put $2MM toward the WW plant project and $1MM to the new road that will serve the condo development project. These grant funds are critical to the financial viability of both projects. The addition of the road as part of the grant application, is what qualified the project a "multi-jurisdictional" project, which has a $3MM maximum grant award. Without the road as part of the grant proposal, the WW plant would have only been eligible as "infrastructure" project, which has a maximum grant award of $1MM. By strategically timing the two projects together, we were able to leverage an additional $1MM in grant funds to put toward the wastewater plant upgrade.
2. In addition to leveraging these grant funds, the new condo project, as designed, will pay **$240,000** in new development hook-up fees to the water company – investing nearly a quarter million dollars into our community water system.   None of that money will go toward specific water infrastructure upgrades for the condo project. All costs associated with building the new road and extending the water infrastructure to the condos will be covered by the portion of the grant allocated to the road and by the developer directly. The plan is to apply the entirety of the $240,000 in new development hook-up fees to the WW plant upgrade, reducing the cost of the project to the existing rate payers.
3. In addition to the above, the expansion of the rate base created by the new development will significantly off-set the on-going burden of the debt service associated with the wastewater plant expansion – keeping rates lower for everyone. Details on the impact of

the new rate payers associated with the condo project can be found in the presentation slides shared at the August 13, 2025 Community Meeting.

Q: Will the wastewater plant add new capacity to the wastewater system.

A: The wastewater plant upgrade does not expand the current permit, which measures and limits the amount of treated water discharged daily. Our current average discharge is well below our permitted discharge capacity, however, that can spike up during significant rain events and peak usage periods. The wastewater plant upgrade does include expanded storage capacity on the front end of the process, which will help the water company manage higher volumes of influent during rain events and peak usage periods, effectively expanding the capacity of the wastewater treatment system. So while the upgrades do not expand our permitted discharge capacity, the design includes improvements that will enable us to handle more influent bursts, making the system more resilient to the increased stormwater impacts from climate change and better equipped to support potential future development as well.

OTHER QUESTIONS

Q: Does the water company have plans to add residential meters to the drinking water system or would it consider it?

A: The water company does not currently have plans to add residential meters to the system, however, this is something that can be considered and discussed with water company members. Under the non-profit structure, the water company will hold at least one member meeting annually. The board and membership will discuss the company's priorities and these discussions will inform and help guide board decisions.

The idea of adding residential meters was considered and evaluated by Bolton Valley Community Water and Sewer a number of years ago, but was not identified as a priority at the time because it was determined that metering would not materially reduce rates, the cost of implementation would be expensive (and borne by rate payers), and it would not help with leak detection, as meters are located inside the buildings and monitor the draw on water and so would not detect leaks in the distribution network.

That being said, if members are interested in re-opening this conversation, it is certainly something that we can put back on the table for consideration.

Q: What portion of the water company's rate base is paid by residential customers and what portion by commercial customers?

A: The total current annual rate base is $506,373. Residential rates total $292,858 or 58% of the total rate base. Commercial rates total $213,515 or 42% of the rate base.

Q: How was the current rate structure established?

A: The current rate structure was established prior to Bolton Valley Community Water and Sewer, LLC's (BVCWS) acquisition of the water company. No changes have been made to the rate structure under current management. The 2018 rate increases the water company saw under BVCWS's management was applied as a percentage increase that was applied equally to residential and commercial customers. Likewise, no change to the rate structure has been made during the conversion to the new non-profit entity and no change is currently being contemplated.

Q: Would the water company consider commissioning a study to update the rate design to make sure that the current rate structure is fair and balanced.

A: Yes. If members indicate this is a priority, management will seek information and cost estimates for an updated rate design.