



Plainville, MA

Water and Sewer Rate Options and Sewer Enterprise Fund considerations

Woodard & Curran
Board of Selectmen Meeting
December 17, 2018

Presentation Outline

1. Background
 - a) Past Rate Setting / Financial Modeling
 - b) Updated Capital Program
 - c) Metering Improvements
2. Capital Investment Program
3. Rate Setting Options
 - a) Volumetric Charges
 - b) Capital Charges
 - c) Fire Suppression Charges
4. Sewer Enterprise Fund adoption considerations
 - a) Practical considerations
 - b) Operational Reserves
 - c) Path forward



Background

Original Financial model:

- a) Constructed 2+ years ago under a grant from Mass DEP
- b) Used for rate setting and capital planning for the past two fiscal cycles
- c) Model updated to include current Capital Improvements Plan and past two years of billings

Significant operations improvements since model construction:

- a) Water Department has made large improvements in the regularity of its meter reading practices; critical for multi-tier volumetric rates
- b) Water Department has refined its list of fire suppression customers
- c) Metering Improvements – schedule and meter reading



Capital Investment Programs

Needed investments to ensure long term technical sustainability of the water and sewer systems.

- The plans are designed to ensure that over the mid to long-term, both utilities will maintain their reliability for customers

Water – Capital Investment Program

- >\$10M over coming 5 years
- Primarily pipe replacement
- Technology upgrades
- Facility improvements
- Rolling stock renewal

Sewer – Capital Investment Program

- >\$750k over coming 5 years
- Primarily pipe rehabilitation and the removal of infiltration and inflow
- Pump station rehabilitation

The costs in both the Water and Sewer Capital Investment Programs are carried within the utilities' respective financial models and will be included in future rate recommendations.



Rate Setting Options

1. Review Current Rate Structure
 - a) Flat volumetric rates
 - b) Fixed capital charges
2. Rate Setting Options for consideration
 - a) Tiered – volumetric rates
 - i. Improved metering regularity
 - ii. Potential billing office impacts
 - b) Fire Suppression Charges

Rational allocation completed based upon estimated actual costs of supporting fire suppression customers



Rate Setting Options

Tiered Volumetric Rates

Recommending two-tiers

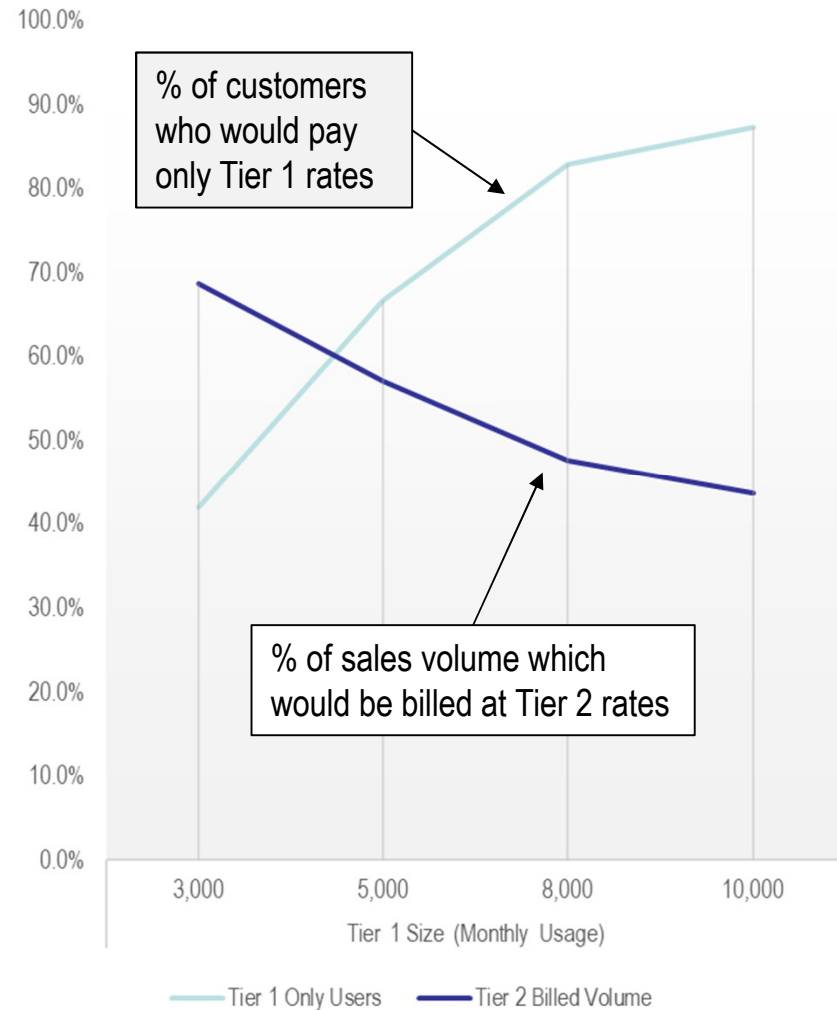
1. Less expectation of demand destruction
2. Less uncertainty in impact
3. Relative ease of use

Looking for guidance on tier options

- i. Tier 1 Volumetric size
- ii. Tier 2 relative cost



Plainville - Water Billing Metrics



Rate Setting Options

Fire Suppression Charges

Recommending assignment of charges commensurate with the costs of providing the fire suppression benefits received by these customers

1. Includes the proportions of operational, debt service, and cash financed capital projects completed in support of fire suppression (as opposed to potable) services.
2. Current allocation identifies \$62,000 in services to be recovered annually from these customers (average over 5 year projection period).

Summary of Fire Suppression Costs					
Year	2020	2021	2022	2023	2024
Operational	\$33,738	\$34,581	\$35,446	\$36,332	\$37,240
Debt Service	\$17,617	\$17,167	\$16,567	\$16,117	\$15,667
Capital Program	\$0	\$0	\$4,443	\$22,236	\$25,207
Total	\$51,355	\$51,748	\$56,456	\$74,685	\$78,114



Sewer Enterprise Fund Considerations

Practical considerations

1. Currently a contributor to the General Fund (GF), both expenses and revenues.
2. Once separate, may contribute to GF coverage of justifiable sewer expenses but will otherwise be separate.

Operational Reserves

1. In our experience, CPAs would recommend the development of an operation reserve of at least 10% of annual budget.
2. Many would also recommend a capital reserve commensurate with the value of system assets.

Path forward

1. Current rate recommendations have been generating a moderate surplus or revenue in comparison to expenses
2. Maintenance of current rates (barring unforeseen expenses) could allow the Enterprise Fund to generate a reserve over several years.





Open Discussion/ Questions?

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