

MINUTES OF RATE STUDY WORKSHOP/MEETING WITH STEVE ALCOTT

Time: 10:07 a.m. Location: Sewer Treatment Plant

Attendees:

<u>Members</u>	<u>Present</u>
John Elliott, Sr.	Y
Paul Gagner	Y
Robert Lemansky	Y

Others present: Mr. Wandland, our new administrator; Nazra Gagner; Jean Vincent of the Charlton Housing Authority; Deb Laplaca, member of the press; and Joseph Chartier.

Meeting was called to order by John Elliott, Sr.

Steve Alcott from Alcott Associates met with the Commissioners. He presented his Workshop Review of June 25, 2008. He went over rates adopted by the Commissioners in June of 2006 (were in effect as of October 2007). Objectives of this meeting: Update the budget; update the amount of revenue being generated under the current rates and updating the MTA/McDonald’s information. He did that and provided copies of his review to the Commissioners.

The Commission reviewed Schedule 1: Budget Detail & Revenue Required from Rates. It indicates that the source listed at the top states: 4th draft presented in March 2008. The figure for the FY 2009 (Sewer Enterprise Fund) budget is \$2,265,908. His calculation indicates the required revenue from rates to be \$920,394. Title V bedroom users were based on 453 residential customers on an equivalent basis which would include the Masonic Home and all commercial establishments not metered.

Schedule 2 reflects revenues from user fees at current October 2007 rates of \$70.00 per bedroom and a basic charge of \$93.75 per quarter and \$0.0046 per gallon for metered customers. This results is a total estimated revenue at current rates of \$1,138,954. The amount of money shown for the Title V revenue will decrease and the meter revenue will increase as customers switch to meters. Adjustments made to the total include elderly abatements, bedroom changes, prorated meter bills and other abatements – estimate excludes the MTA. Revenue required from rates in FY 2009 is \$920,394.

Schedule 3 reflects possible revised user fees for both Title V at \$60.00 per bedroom and a basic charge of \$50.00 per quarter and \$0.0060 per gallon for metered customers, resulting in a total estimated revenue at current rates of \$1,007,545. The MTA stays the same – when I did the study in June 2006, I calculated what I thought they should pay and that has stayed the same. He had data for the June 2006 report and that data was changed when the December 2007 review was done. It was changed in several material ways; i.e., nitrogen, BOD, ammonia. He hasn’t modeled the phosphorus cost. He found the updated data was approximately the same total dollar amount to be coming from the MTA – \$375,000 allocation for serving the two MTA stations. That amount remains between Schedule 2 and Schedule 3. I dropped the charge of \$93.75 to \$50 and the per gallon charge from \$.0046 to \$.0060--the town has to have pipe, people, electricity (fixed costs). The variable cost is the sewerage. If everyone was metered, we could get to the desired balance but he wouldn’t suggest it right now. The rate he came up with was to avoid severe dislocation between when someone has a five bedroom house under Title V and they convert to a single edu under this plan.

Schedule 4 (Bill Comparison Metered Rates & Un-Metered Rates – Residential Users) shows that if you have a one bedroom you will pay more; but if you have a four bedroom, you will pay substantially less. Schedule 5 is entitled, bill Comparison Metered and Un-Metered Rates – Other Standard Strength Users. Under this scenario, the Charlton Housing Authority would see a 108% increase in their total cost. The CHA is being billed \$3487.40 per quarter currently. From Mr. Alcott’s view, the rate structure needs to be built on what we did in the winter and what we did in June. Mr. Lemansky: there is nothing in our system that promotes conservation. The 108% is the difference of what you would be paying until Title V vs. \$50.00 per edu and \$60.00 per bedroom on Title

V. The edu's for the apartment building (above the Charlton Housing Authority listing) is based on 1, 2 or 3 bedroom apartments (on Schedule 5) so it will change. Ms. Vincent does have a meter but it is not one of our meters. Mr. Alcott: The CHA may correct the data for the Charlton Housing Authority and provide it to Mr. Alcott. Average is 2900 gallons per day. There is a capacity requirement that the CHA exerts on the system; if you conserve from 2900 to 2000, we're going to save a small amount of money. We can't lay off people because the flow goes down or shut the lights off because the flow goes down. Mr. Lemansky: we need \$1M to come into the plant to run it. With the moratorium in place, we are limited. Approximately 1/3 of our income is coming from the MTA. We have the ability to analyze what we are billing. Title V customers are prepaying as they are billed in the beginning of each quarter. Meter rate customers are being billed after their usage.

The next sheet in Mr. Alcott's report: Alternate Rate Design Based on Plant Influent Flow. Mr. Alcott took an average for the plant loadings for July, August and September of 2007 of 0.172 per day x 365 which equals 62,678,333 gallons per year. I subtracted the MTA flow from that figure which was 17,852,000 for a total of 44,806,333 gallons per year; and I divided that into the volume charge I have. Based on calculations, the MTA should be contributing \$375,000.00; we need \$545,394 from rates; an administrative charge of \$30 per quarter (open to change) but that would generate \$66,480 based on 554 customers. The average residential customer bill per year would be as follows: administrative charge of \$120 plus the volume charge based on \$0.0107 per gallon, the average bill would be \$889.57.

Mr. Alcott: Because we don't have everyone on the metered rate – revenue will come from people who use the most water. Mr. Lemansky: We want to encourage conservation. Mr. Alcott: when we take the meter and put it on a private well – that's feeding into the house – if that person uses water for grass, etc. – (Mr. Lemansky indicated that we do have the ability to tap into an outside faucet before our meter; homeowners can put a second meter on)—Mr. Lemansky asked where the money would come from if the average residential user would pay more. Mr. Alcott discussed bill amounts based on variable information on his Bill Comparison Sheet (Schedule 4). The 200 gallons per day is an annual average and includes what the average person puts on their lawn. Mr. Alcott explained that the unit standard used takes into account a percentage of water not returned to the system process. In addition, some of the homes in Charlton have an outside faucet that comes off the well and prior to our meter.

Mr. Lemansky supports a single rate. Mr. Gagner does also. Mr. Lemansky advised that we need to strongly encourage people to go to meter. Carol provided Mr. Alcott with a copy of the meter data list. Mr. Lemansky: sometime back when the plant manager gave us a report for average daily flow. Reference again to the Alternate Rate Design Based on Plant Influent Flow sheet prepared by Mr. Alcott—Discussion regarding plant loadings. Mr. Lemansky: Since Charlton City has been decommissioned and all of the lines filled and blocked off, the average flow runs between 180,000 to 190,000. Your report is saying an average of 164mgd for September 2007; 167 mgd for August 2007 and 184 mgd for July 2007. Comparisons were made regarding cost to remain on Title V. Mr. Lemansky: MTA is being billed by meter and not water usage - 17,852,000 gal per year x .0107 = 191,016 gallons per day. If the MTA was pretreating and delivering effluent to us equal to everyone else, they would be paying the same rate as everyone else. It would be an income problem for the plant if the MTA came into compliance – we would lose about \$185,000. There was also discussion about comparison between the metered sewer flow coming from the MTA service areas with the amount of water that they were purchasing from Southbridge.

Mr. Alcott provided a worksheet (page 8 of his report) entitled Actual FY 2007 billed revenue which indicates total commitments of \$1,047,131.68.

Ms. Goodspeed, the Department Assistant inquired: Mr. Alcott: there are several families who have cottages and they only use their places in the summertime. They are paying \$93.75 per quarter all year long. They shut off everything. Mr. Alcott: it is a perennial. Normal communities don't have a lot of snowbirds; but you can have some communities like Salisbury, Massachusetts where there are significant numbers of people in that situation. Here, you must have the pipes connected so the water is available 365 days a year. On the sewer side, we have to be ready if someone does flush a toilet even if they fill the reservoir from the pond, you have that possibility; and the town is ready for this. If it was 5 people out of 500 you could deal with it; if there are 50 people coming just in the summer out of 500, it becomes difficult to come up with a method. Mr. Lemansky: how many communities are using a similar setup like Charlton. Mr. Alcott: he could not think of another community with two billing methods. A lot of cities and towns not having a public water system – towns that

don't have a public water system, they go right to the edu concept. You are not able to measure any flows so you just divide by the number of dwelling units – and do an equivalency for the commercial people. The problem was that Charlton had a bedroom analysis. When I was first called in December of 2005 to have something in place as of June 2006 that the Commission could adopt. Mr. Alcott had done Adams Fire District – they had no meters at the time; but a metered rate was developed. This was different because Charlton already had a fixture charge – that people should pay proportion to the number of bedrooms that they have. Mr. Alcott: we have to size the treatment for 450,000 gallons which is based on a count of the number of bedrooms and the sewer rate was determined.

Mr. Lemansky made reference to the Charlton Housing Authority--1 bedroom, 1 person units by Title V—5200 gallons less 40%; and came up with 4100 gallons; but they are only using 2900 gallons – this project is being charged for all of the edu's plus two washing machines; and there are six three bedroom units (48 bedrooms x 110 gallons).

Mr. Alcott: the best thing for us is to get everyone on a meter rate. Mr. Gagner felt that we have enough people on a metered rate to set the rate and others will gradually switch to a meter.

Mr. Elliott: Can we use the new rate (\$0.107) Mr. Alcott proposes and use the \$30 for the administrative charge. Mr. Alcott needs to do some calculations. Mr. Lemansky inquired when the bills go out and the Department Assistant indicated around the 22nd of July. The Department Assistant explained that all of the changes will need to be programmed into our software. Mr. Gagner suggested we just deal with the meter customers for now. We can adjust the rate again if we don't receive the revenue we need. Mr. Chartier (has been on a Southbridge meter for a few years) and the Charlton Housing Authoring could get some relief.

There was discussion of whether to leave the Title V per bedroom rate at \$70.00. We still need to meet our bills. Mr. Elliott inquired whether we could charge a different per gallon rate for commercial customers vs. residential customers. It is a weight issue with sewerage. Mr. Alcott: when we deal with the MTA we need to be consistent with them relative to how we deal with all the other users. We make an assumption that the \$0.107 per gallon would be for a normal strength place. It's more relative to what the average residential strength of waste would be. If I look at the design capacity of 450,000 gallons per day and the percentage that is MTA's portion of that, and I take the \$920,394 revenue per year (FY 2009)—if I distribute it: 25% for flow; 25% for BOD; 25% for ammonia; and 25% for suspended solids; and I apply the proper flow on a design basis, they would come up to \$278,000.00. If I do a calculation on the basis of their operating statistics of how many pounds we are measuring as of December of 2007 and how many pounds are flowing into the plant, I get 375,000 gallons. The mechanism you are currently running with is—if we charge them \$93.75 per edu and they have 440 edu's; and we charge them \$.0046 per gallon and they have this 48,000 gallons per day coming in, then I need to devise a surcharge for their extra pounds and it worked; unfortunately it worked too well. They have been surcharged quite strenuously. The MTA is using approximately 40% of our capacity and should be paying for 40% of the costs to operate the plant. Mr. Alcott: we need to define the rate for the MTA, and that same rate could be applied to the Masonic Home. Mr. Lemansky did not feel it would be fair to charge the Masonic Home the same rate. Mr. Lemansky spoke with the chief operator at the Masonic Home (30,000 gallons usage at the nursing home and 46,000 gallons for the 200 units they added on; they are at 99% capacity at the nursing home and 85% capacity on the 200 units – they are averaging around 37,000 to 40,000 gallons per day of water usage.

Mr. Lemansky made reference to an original document from the DEP regarding our original design. Mr. Alcott advised that he believed that Woodard & Curran is adjusting their budget number for the next fiscal year, as the RBC's are elevated because of the MTA load. Mr. Elliott: Jody seems to think that he can allocate the percentage cost to run the plant based on tests that are done on a regular basis. Mr. Alcott: when we look at the total budget, it is not just the chemicals; it includes other equipment and services. Mr. St. George provided Mr. Alcott with a cost analysis as to what the MTA is responsible for. Mr. Elliott asked if we could set the rate. Brief discussion about the Commission's next meeting. The Department Assistant suggested they need to meet on July 7th and that it might be difficult to effect the changes in the software if a vote is taken at this meeting for the 1st quarter 2009 billing.

Mr. Alcott: If we don't touch the \$70 per bedroom charge, the Commission may have customers complaining because they did not get a reduction in the first quarter of 2009. Mr. Lemansky: if someone goes to meter the third week of July; then through the effort of Carol, we abate their bill.

Mr. Alcott mentioned that MTA charges are based on the edu's at \$.0046 per gallon; if we change them to be \$30 per quarter for each of those two units and we change their charge per volume to be \$0.0107 per gallon, then we must change the surcharge to the MTA because the Commission will lose a lot of money. The Commission has insisted to the MTA that they are paying the same as everyone else. The surcharge adjustment is something that Mr. Alcott needs to spend some time recalculating as it is not a fixed dollar amount. It needs to be applied to their pounds of BOD, pounds of ammonia and pounds of suspended solids; and when you have phosphorus cost, then the pounds of phosphorus. Mr. Lemansky: Do we want to bill the MTA based on Southbridge water meter readings? Mr. Gagner: If they complain, we can address that individually. Mr. Elliott: He spoke with Attorney Goldrosen and told him we would get back to him after this meeting with respect to the MTA agreement.

Mr. Alcott: there are two issues with the MTA: one issue is their capacity and the other is how they are being billed and the Commission has always said – we are going to adopt a rate and apply it to everybody. It is part of setting the rate. You don't make exceptions. You apply it to everybody. The \$0.0107 per gallon and the \$30 charge would also be applied to the MTA. In June of 2006 the Commission adopted a provision that there would be a surcharge for excess strength to the MTA.

Mr. Lemansky: DEP dictates to the plant when we are at capacity. If we were to go with 48,000 gallons per day (used on the Alternate Rate Design page) use the gallon rate with the MTA (\$0.0107) – they need to come up with \$375,000 per year (based on 48,000 gallons per day); either way they need to pay 40% of the bill if they are using 40% of our capacity. In their supplemental agreement with the town, it dictates that the MTA will take steps to correct any infractions that result in overloading our facility. We take whatever their water rate is and subtract it from the 40% to determine the surcharge.

Mr. Alcott referred to the First Supplement Agreement Relating to Sewerage prepared in October 1999, paragraph 8 which indicates the parties shall negotiate in good faith to agree upon a fair and equitable rate per gallon of flow for transporting, treating and disposing of sewage from the MassPike Facilities for the Adjusted Project Expansion. The Commission is happy to meet with the MTA to discuss this if need be. Mr. Elliott asked to move forward to set a rate. The Commission has the paperwork as well as Mr. Alcott's determinations to set a rate. Mr. Lemansky: Based on last year's water usage of 11,000,000 gallons at \$0.0107 – that would be \$121,000 for their sewer usage charge for the year. If you use 39% it would be the \$375,000; Ms. Dam had indicated that we have been surcharging the MTA close to \$250,000 or \$260,000 per year. Mr. Alcott: by July 3 if I get the surcharge rates for MTA to you; then you could discuss at the next meeting. He needs to do some calculations. If they use the same amount of water, they will pay \$375,000. We billed them \$477,000 in 2007. If you want to take your vote based on the \$30 per quarter administrative charge and the \$0.0107 per gallon meter charge, and hold any action on the excess strength charges for the MTA until I complete my calculations, that will be fine.

Mr. Lemansky made the following motion: That we adopt a meter rate of \$0.0107 cents per gallon plus an administrative charge of \$30.00 per quarter per customer, to be effective July 1, 2008, excluding the surcharge rate to be developed within the next 30 days regarding the Massachusetts Turnpike Authority; seconded by Mr. Gagner; discussion. Mr. Elliott: Is this just a \$30.00 flat rate or is it \$30.00 per bedroom per unit?; Mr. Lemansky reiterated that the \$30.00 is just per quarter per customer; Mr. Alcott asked if the motion should be restricted to metered rates; Mr. Lemansky asked that in his motion the word "metered" should be added before the word customer which it was. The Department Assistant suggested that the MTA may perhaps be made a separate motion. Mr. Lemansky felt that the MTA should remain in the same motion so they know we are still working on a surcharge rate that is being developed hopefully within the next 30 days. Mr. Gagner agreed. Carol: We had some problems with billing last time and three bills had to go out after the fact; so I have to do just one billing for this quarter; I need to make all of the changes necessary in the software prior to that; I have to coordinate the meter reads with Woodard & Curran and that has to happen just prior to the bills being run; I have to download the information in Vadar into the gun for the reads to take place; then that information has to be loaded back into the computer so I can print the commitments and prepare a warrant for the commission to sign before the bills can be run. Mr. Elliott called for a vote on Mr. Lemansky's motion; voted unanimous by the three commissioners present.

Meeting adjourned at 1:12 p.m.

Respectfully submitted,

John Elliott, Sr. Date

Robert Lemansky Date

Paul Gagner Date