

Conservation Water Rates for Manchester

Recommendations from WRPTF
(approved at May 3 Meeting)

For Review with Select Board, May 15, 2023

RECAP: Our Policy Recommendations (from April 18 Select Board Meeting)

1. **Water meter replacement/upgrade**
2. **Change water rates for conservation**
3. **Increase conservation awareness & education**
4. **Help define next steps for LSW**
5. **Monitoring wells for Gravelly Pond**
6. **Update source water protections**
7. **Dialogue on watershed protection with Hamilton, Essex and Wenham**
8. **Expedite repairs to WWTP recycled water system**
9. **Accelerate replacement of ancient water mains**

CURRENT WATER RATES, FY 2023



MANCHESTER-BY-THE-SEA

BOARD OF SELECTMEN • TOWN HALL
Manchester-by-the-Sea, Massachusetts 01944-1399
Telephone (978) 526-2000 FAX (978) 526-2001

To: Board of Selectmen
From: Debbie Powers, Executive Assistant
Date: June 30, 2022
Subject: Policy and Rates for Sewer and Water

Water (3.0% increase across all tiers)

- \$6.55 per 100 cf., for first 900 cubic feet used (prior year \$6.36)
- \$6.66 per 100 cf., for 900-1,700 cubic feet used (prior year \$6.47)
- \$7.32 per 100 cf. for 1,700-5,700 cubic feet (prior year \$7.11)
- \$7.95 per 100 cf., for 5,700-16,000 cubic feet used (prior year \$7.72)
- \$8.59 per 100 cf., for 16,000-39,000 cubic feet used (prior year \$8.34)
- \$9.23 per cf., for 39,000+ cubic feet used (prior year was \$8.96)

CURRENT FY2023 WATER RATES (in table format)

		Rates by Tier (based on quarterly usage)					
		Tier 1 (2023)	Tier 2 (2023)	Tier 3 (2023)	Tier 4 (2023)	Tier 5 (2023)	Tier 6 (2023)
in \$/HCF	Current Rate	\$6.55	\$6.66	\$7.32	\$7.95	\$8.59	\$9.23
for CF/Q	Current Tier	<900 cf	<1700 cf	<5700 cf	<16,000 cf	<39,000 cf	>39,000 cf

WRPTF Goals for Recommended New Water Rates:

1. **Encourage conservation by all households** -- focus on those using the most drinking water in summer (a small fraction).
2. **Recover the full costs of supplying plentiful clean drinking water to our Town** – for protecting our water sources and remediating dangerous contaminants, plus regular operating costs of Water Division.
3. **Allow time for adjustment, ramping up conservation initiatives and installing new water meters** – by phasing in rate changes.
4. **Avoid any reduction in total annual Water Division revenues** – model potential reductions from conservation by largest current users and get expert advice and counsel.

Recommended Rate Changes:

- Reduce to 4 tiers from current 6 tiers
- Significantly increase the rate differentials between lower and higher tiers
- Implement gradually, in 3 phases over next 12 months – reassess monthly

PROPOSED MBTS WATER RATES							
Approved by WRPTF, May 3 2023							
		Rates by Tier (based on quarterly usage)					
		Tier 1 (2023)	Tier 2 (2023)	Tier 3 (2023)	Tier 4 (2023)	Tier 5 (2023)	Tier 6 (2023)
in \$/HCF	Current Rate	\$6.55	\$6.66	\$7.32	\$7.95	\$8.59	\$9.23
for CF/Q	Current Tier	<900 cf	<1700 cf	<5700 cf	<16,000 cf	<39,000 cf	>39,000 cf
		New TIER 1		New TIER 2	New TIER 3	New TIER 4	
in \$/HCF	Target Rate	\$3.00		\$13.00	\$32.75	\$45.50	
for CF/Q	Target Tiers	<1900 cf		<4000 cf	<16,000 cf	>16,000 cf	

Recommended Rate Changes:

- Reduce to 4 tiers from current 6 tiers
- Significantly increase the rate differentials between lower and higher tiers
- Implement gradually, in 3 phases over next 12 months – reassess monthly after each increment, using new digital smart meters (as available)

PROPOSED MBTS WATER RATES							
Approved by WRPTF, May 3 2023							
		Rates by Tier (based on quarterly usage)					
		Tier 1 (2023)	Tier 2 (2023)	Tier 3 (2023)	Tier 4 (2023)	Tier 5 (2023)	Tier 6 (2023)
in \$/HCF	Current Rate	\$6.55	\$6.66	\$7.32	\$7.95	\$8.59	\$9.23
for CF/Q	Current Tier	<900 cf	<1700 cf	<5700 cf	<16,000 cf	<39,000 cf	>39,000 cf
		New TIER 1		New TIER 2	New TIER 3	New TIER 4	
in \$/HCF	Target Rate	\$3.00		\$13.00	\$32.75	\$45.50	
for CF/Q	Target Tiers	<1900 cf		<4000 cf	<16,000 cf	>16,000 cf	
July 2023 - Phase 1	New Rates	\$5.00		\$8.00	\$15.00	\$20.00	
Phase 2	New Rates	\$4.00		\$11.00	\$25.00	\$33.00	
Phase 3	New Rates	\$3.00		\$13.00	\$32.75	\$45.50	

(Same Recommendations in GALLONS instead of CUBIC FEET)

IN GALLONS		Rates by Tier (based on quarterly usage)					
		Tier 1 (2023)	Tier 2 (2023)	Tier 3 (2023)	Tier 4 (2023)	Tier 5 (2023)	Tier 6 (2023)
in \$/GALLON	Current Rate	\$ 0.0049	\$ 0.0050	\$ 0.0055	\$ 0.0059	\$ 0.0064	\$ 0.0069
for GALLONS/Q	Current Tier	<6732	<12,716	<42,636	<119,680	<291,720	>291,720
		New TIER 1		New TIER 2	New TIER 3	New TIER 4	
in \$/GALLON	Target Rate	\$0.003		\$0.013	\$0.033	\$0.046	
for GALLONS/Q	Target Tiers	<14,000 gals		<30,000 gals	<120,000 gals	>120,000 gals	
July 2023 - Phase 1	New Rates	\$0.005		\$0.008	\$0.015	\$0.020	
Phase 2	New Rates	\$0.004		\$0.011	\$0.025	\$0.033	
Phase 3	New Rates	\$0.003		\$0.013	\$0.033	\$0.046	

PROJECTED IMPACT ON HOUSEHOLDS – from WRPTF Model of Demand & Usage

# of Households & Average Annual Water Bill		# of households + average annual bill (est'd.)					
		Tier 1 (2023)	Tier 2 (2023)	Tier 3 (2023)	Tier 4 (2023)	Tier 5 (2023)	Tier 6 (2023)
CURRENT	Households	460	600	670	140	35	10
CURRENT	Ave. \$/year	\$148	\$354	\$819	\$4,453	\$7,943	\$19,425
		\$264				\$10,115	
		New TIER 1		New TIER 2	New TIER 3	New TIER 4	
TARGET	Households	1,100	500	255	60		
TARGET	Ave. \$/year	\$129	\$1,407	\$6,851	\$30,925		
July 2023 - Phase 1	Households	1,100	500	255	60		
	Ave. \$/year	\$140	\$920	\$4,800	\$14,600		
Phase 2	Households	1,100	500	255	60		
	Ave. \$/year	\$134	\$1,210	\$5,600	\$21,300		
Phase 3	Households	1,100	500	255	60		
	Ave. \$/year	\$129	\$1,407	\$6,850	\$30,925		

NOTES:

- In July 2023, new rates will reduce annual water bills for 58% of households (“conservators”).
- July 2023 rates will increase annual bills by an average of **10%** for another 39% of households.
- Only 3% of households will see their annual water bills rise significantly July 2023 rec’d rates.

Impact on Water Division Revenues – from WRPTF Model of Demand & Usage

ANNUAL REVENUES - MBTS WATER DIVISON		TOTAL REVENUES	w/ significant conservation	w/ dramatic conservation
	CURRENT	\$1.49M	\$1.31M	\$1.07M
	TARGET	\$4.48M	\$3.56M	\$2.57M
July 2023 - Phase 1	New Rates	\$2.3M	\$1.55M	\$1.12M
Phase 2	New Rates	\$3.5M	\$2.1M	\$1.6M
Phase 3	New Rates	\$4.48M	\$3.56M	\$2.57M

NOTES:

- “Significant Conservation:” 50% reduction by all users in Tiers 3+4 (Top 2 Tiers)
- “Dramatic Conservation:” 67% reduction in Tiers 3+4 plus 20% in Tier 2
- Recommended Rate Changes:
 - Reduce to 4 tiers from current 6 tiers
 - Significantly increase the rate differentials between lower and higher tiers
 - Implement gradually, in 3 phases over next 12 months

Back-up: Revenues by Tier & Phase (assuming No Conservation)

	TOTAL REVENUES BY TIER (& BY PHASE) - NO CONSERVATION					
	Tier 1 (2023)	Tier 2 (2023)	Tier 3 (2023)	Tier 4 (2023)	Tier 5 (2023)	Tier 6 (2023)
CURRENT	\$65,000	\$220,000	\$525,000	\$350,000	\$200,000	\$140,000
	New TIER 1		New TIER 2	New TIER 3	New TIER 4	
TARGET	\$140,000		\$700,000	\$1,780,000	\$1,860,000	
July 2023 - Phase 1	\$230,000		\$440,000	\$810,000	\$820,000	
Phase 2	\$185,000		\$600,000	\$1,360,000	\$1,350,000	
Phase 3	\$140,000		\$700,000	\$1,780,000	\$1,860,000	

RECOMMENDED NEW POLICY FOR WATER RATES



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Subject: Policy and Rates for Sewer and Water

A public hearing will be held at the Selectmen's meeting on July 18, 2022 to review the policy and rates for sewer and water for FY23.

1. Policy

A summary of the policy follows:

Operational Cost

- Sewer 100% of the operational cost is paid by the users.
- Water 100% of the operational cost is paid by the users.

Capital Cost

- Sewer 75% of the bonded capital cost is paid by the users.
25% of the bonded capital cost is paid by all taxpayers.
- Water 100% of the bonded capital cost is paid by all taxpayers.

WRPTF Recommends Amended Policy -

- 100% of the annual costs of operations, source protection and contaminant monitoring and remediation is paid by the users.
- Bonded capital cost is paid by the users and all taxpayers as determined annually by the Finance Committee.

OLD

Impact on Water Division Revenues – from WRPTF Model of Demand & Usage

ANNUAL REVENUES - MBTS WATER DIVISON		TOTAL REVENUES	w/ modest conservation	w/ significant conservation
	CURRENT	\$1.49M	\$1.31M	\$1.07M
	TARGET	\$4.48M	\$3.56M	\$2.57M
July 2023 - Phase 1	New Rates	\$2.8M	\$2.2M	\$1.6M
		<i>(prelim. est.)</i>	<i>(prelim. est.)</i>	<i>(prelim. est.)</i>
Phase 2	New Rates	\$3.9M	\$3.1M	\$2.2M
		<i>(prelim. est.)</i>	<i>(prelim. est.)</i>	<i>(prelim. est.)</i>
Phase 3	New Rates	\$4.48M	\$3.56M	\$2.57M

Recommended Rate Changes:

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