

PROPOSED ECONOMIC DEVELOPMENT RATE BY THE MDC

The MDC is proposing to adopt what it is calling an Economic Development Rate for very large water users. The rate would apply to any user consuming more than 600,000 gallons a day(based on a monthly average) through a single meter. Currently the largest user on the system uses less than this amount so the rate would not apply. However, if that user increased its use or another user came along, the discount rate would apply.

The rate is designed to provide a 20% discount for water used in excess of the 600,000 gallons per day. So if, for example, a user used 600,001 gallons, the full rate would apply to the 600,000 gallons and the discount rate would apply to the 1 gallon in excess of the 600,000.

There would also be special treatment of the special sewer service charge(also known as the clean water project charge)for such large users. Under the current special sewer service charge, the charge is calculated based on water consumption for that customer. So a customer using 100 gallons of water pays a special sewer service charge on that 100 gallons of water, regardless of whether the water is used for toilets(which finds its way to the sewer system) or lawn watering(which probably doesn't). For customers using in excess of 600,000 of water a day, the special sewer service charge associated with the excess over 600,000 would be based on the amount of sewerage discharged. This could be considerably less depending on the type of customer. A golf course which does lots of irrigation or a water bottler, for example, could have considerable less sewerage given the use of the water. How much of a discount this would produce is difficult to determine given the range of potential uses, but it is likely to be considerable. For example, if there were 2 users, each consuming 650,000 gallons of water, these two would have identical charges for water, including the 20% discount on the use over 600,000 gallons. They would also have identical charges for the special sewer service charge for the sewerage associated with that 600,000 gallons. However if one customer discharged 10,000 gallons of the last 50,000 gallons of water into the sewer but the second discharged 25,000 gallons, the special sewer service charge would be different.

The Independent Consumer Advocate is mindful of the considerable controversy associated with the discount rate proposed in the past associated with the Niagara project. With that in mind, the following comments may be helpful as you decide whether to support or oppose this rate proposal in the whole or in part.

1. MDC has adequate water supply to provide for the region for the foreseeable future{30 yrs} under almost any development scenario. This is confirmed by its Water Supply Plan and by the State Department of Public Health.
2. The MDC has not to date provided any analysis to demonstrate that a discount is either cost justified or not. That is, there is no analysis to demonstrate that economies of scale for very large users are such that providing them additional water at a discount is cost justified.
3. There is no analysis to determine if the discount will in fact encourage greater consumption, just make any such consumption cheaper, or have no effect on consumption.

4. To the extent additional consumption does result from the discount rate, it is likely that in the short run, the costs which other customers must bear will be marginally lower. In the longer run, it is not possible to determine due to the absence of any cost analysis.{See 2 above}.
5. The special treatment of the special sewer service charge for the largest customers is inconsistent with the treatment of all other customers. Further it will have disparate impacts on such large customers depending on the use to which they put the water purchased. It would be the only rate that distinguishes among customers based on the use to which the water is put. It is difficult to determine the impact of this treatment on all other customers, but given the projections for the amount of the special sewer service charge it is likely to be unfavorable.

There will be a public hearing on this rate proposal{along with the proposed 2019 budget and all other rates} on November 19, 2018. The hearing will commence at 5:00 p.m. at the MDC headquarters , 555 Main St. Hartford. If you plan on attending you should check the MDC website a few days before the 19th in case the schedule has been modified.

Any questions ahead of time you can contact the Independent Consumer Advocate at
ICAMDC17@gmail.com

David Silverstone

Independent Consumer Advocate.