

INDEPENDENT CONSUMER ADVOCATE

Quarterly Report for 4th quarter 2019

CONSUMER ISSUES

During this quarter, the ICA was involved in approximately eleven consumer complaints regarding Individual service or condominium issues. The individual issues included high bill complaints, continuation of service charges when service had been suspended, and sewer service. Several customers received leak adjustments to their bills. The issue of sewer service for one condominium complex continued from last quarter. It now appears that the issues relating to maintenance of the 'house' connection may be resolved this Spring with the lining of the connection per some modifications to sewer ordinances proposed by management and accepted by the District Board.

PUBLIC HEARING

The statutorily mandated public hearing was convened by the ICA in October. Notwithstanding publicity on the website and via bill inserts, only two members of the public attended the meeting. The ICA will be holding additional meetings this Spring at more convenient locations and times.

INTEGRATED RESOURCE PLAN AND CLEAN WATER PROJECT CHARGE

The ICA continues the monitoring of the correspondence between DEEP and MDC regarding the consideration of the Integrated Resource Plan. As discussed in prior Quarterly Reports, the ICA favors the adoption of the Plan but disagrees with the proposal to shift certain costs from the ad valorem to the Clean Water Project Charge. (See budget discussion below regarding rationale).

BUDGET

A considerable amount of time was spent in reviewing the proposed budget for 2020 and advocating changes to it. This process began in October with the review of the proposed budget and the submission of questions regarding it. Following receipt of certain responses, the ICA met with Staff to further review the budget. In November the ICA submitted a memorandum to the District Board regarding certain aspects of the budget. It recommended changes to the bonding approach (30 year instead of 20 years), adoption of a vacancy rate to payroll budgets to reflect the fact that not all positions are filled every day of the year, and reconciling the increases to sewer charges to create more consistency.

Most importantly the ICA identified that consumption of water has decreased at an annual rate of almost 2% over the last ten years. While a portion of this decrease is certainly attributable to more efficient appliances and the changing nature of water consumption (e.g. loss of industrial load), a substantial portion is also attributable to price sensitivity of consumers. The vast bulk of customers pay a water customer charge, a sewer customer charge, a water rate and a clean water project charge (cwp). This last charge, designed to pay the costs associated with the clean water project, is higher than the water charge. In 2019 the water charge was \$3.50/ccf whereas the cwp charge was \$4.10/ccf. Thus for each ccf used, customers were charged \$7.60/ccf. At this rate level, it is reasonable to conclude that discretionary usage (e.g. lawn maintenance) has been reduced. Since the costs

associated with the provision of water are largely fixed, at least in the short and medium term, rates for each ccf need to increase in order to produce the revenue necessary to operate the water system.

If the integrated resource plan is adopted and if the funding mechanism proposed by the MDC is adopted, the cwp charge will practically double over the next six years. That is, the current \$4.10 charge will approach \$8.00. Coupled with the likely necessary increases in the water rate over the same period, the substantial increase in the cost of water will cause usage to continue to shrink, causing further increases in rates, causing further reduction in use. Clearly this approach is not sustainable.

The ICA has requested additional information regarding the calculation of the cwp charge, the basis of these projections, and the projected use of the rate stabilization fund which currently amounts to \$100 million. With this information alternatives to the above scenario can be considered. The ICA will be looking at these alternatives with a possible recommendation in 2020.

GLASTONBURY EXTENSIONS

Activity on these extensions continued into this quarter. In October the Board decided to go forward with only a limited number of the extensions under consideration. Glastonbury continues to experience contamination of individual wells as well as other needs for additional water service from the MDC. It is expected that additional time will be spent on these matters in 2020.

RATE DESIGN

Two rate design issues rose in this quarter. The first involved an issue regarding certain customer charges in non MDC towns. The rates proposed in November and publicly noticed were then proposed to be changed just prior to adoption by the District Board in mid December. Some of these changes were substantial. The last minute changes were rejected and will be considered in 2020 after notice and opportunity to comment. The ICA objected to these last minute changes, not on substantive grounds, but due to their late introduction without giving appropriate notice to affected customers.

The second involved the idea of using rate design to encourage additional usage at least for some customers. Closely linked is the idea of using rate design to further general economic development. While these concepts can be useful, care must be taken to assure equity among customers, cost recovery, and maintaining efficient use of water resources. It is anticipated that additional time will be spent on this topic in 2020.

Respectfully Submitted

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