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Aquarion seeks 24 percent rate hike for water service

"The only opposition I have is the amount," - Selectman Joe Coggans

BY TOM REILLY

Officials representing the Aquarion Water Company of Massachusetts briefed the Millbury Board of Selectmen on June 10 about a price increase. Aquarion has been Millbury's water supplier since 2002 when it acquired the Massachusetts business segment of the American Water Company. The company provides water to 18,514 residential and commercial customers in Millbury, Oxford, Hingham, Hull and Cohasset. Millbury's 3,397 customers represent 19 percent of Aquarion's Massachusetts customer base.

Aquarion was represented by Larry L. Bingaman, vice-president of operations and Michelle Desorcy, the company's operations manager for Millbury and Oxford. Selectman Fran King recused himself from the discussion because he is an employee of Aquarion.

Bingaman said that on May 14 the company filed an application for a water service rate increase of about 24 percent with the Massachusetts Department of Public Utilities. He said the application for the rate increase was driven by the significant capital investment the company has made since 2001, the related depreciation expense, and the increased cost of doing business over those seven years. Aquarion is also proposing a rate structure that will promote water conservation, establish a one-time system development charge or connect fee for users tying into the system for the first time, and a customer assistance program to help qualified users pay for the cost of water service.

Bingaman said the company has spent \$21.4 million in company-wide capital improvements and system additions across the five towns since 2001, including \$8.2 million that went to transmission and distribution, with \$1.3 million going specifically to Millbury. The program improved customer service while reducing outages and enhanced water quality by utilizing new and/or upgraded water mains and valves, he said.

He said \$2 million was used for Millbury's supply issues - improving water supply reliability, an increased ability to meet peak day demands, and ensuring an adequate water supply. Another \$5.6 million went to water treatment, with \$5.2 million going to Millbury for improvements such as the construction of the Millbury Avenue treatment facility. A sum of \$700,000 was used to improve the ability to meet average and peak day water demands; \$1.3 million went toward other activities such as improvements to customer service and system reliability through service truck replacements, construction equipment, information technology upgrades, and miscellaneous tools and equipment.

Bingaman said that a total of \$8.9 million of this money went to Millbury specifically. Construction of the Millbury treatment facility was mandated by the Department of Environmental Protection's requirement for a filtration system, he noted. The work has been financed primarily with a zero interest loan, he said.

Aquarion also financed the construction of perchlorate treatment systems on the two Jacques wells on North Main Street when those wells became contaminated by perchlorate, a chemical most often found in explosives. Bingaman said 95 percent of this cost was recovered from the developers of the Shoppes at Blackstone Valley, the most likely source of the blasting. The company also put \$368,000 into other improvements to those wells to increase pumping capacity, and spent \$468,000 for water mains and \$548,000 for meters, services, and hydrants.

Under the proposed increase, the average residential customer using 64,000 gallons per year would see the cost per gallon rise from \$0.0005 to \$0.0007, an increase of 30 cents per day (from 89 cents to \$1.19) or \$9.06 per month (from \$27.08 to \$36.14). Bingaman said this represents a total monthly increase of 33.5 percent. He said a Massachusetts Aquarion customer with a family of four using about 175 gallons of water per day for cooking, bathing, washing dishes and doing laundry would pay about \$1.19 per day. This compares favorably to the cost of a 20-ounce bottle of Dasani water purchased at Riverside Mart (\$1.29) and a 20-ounce bottle of Poland Spring water purchased at XTRA Mart for \$1.19. Bingaman then showed a chart comparing this \$1.19 per day for water with a day's cost of gas heat (\$4.54), electricity (\$3.36), telephone service (\$1.33), and extended basic cable television (\$1.45). He also compared this to the cost of gasoline and heating oil, but admitted that both were rising so fast they had already outstripped his figures of \$3.50 and \$4.03 per gallon respectively.

The company intends to implement "inclining block rates" in order to spur customer conservation, Bingaman said. This means that the more water you use the more it costs. Under the current rate structure, residential customers pay \$2.78 per 1,000 gallons while business customers pay \$2.05 for the same amount. Inclining block rates foster conservation through higher pricing at larger consumption levels. Under the new plan, residential customers will pay \$3.502 for the first 9,000 gallons per quarter. Over 9,000 gallons, the rate per 1000 gallons would rise to \$4.431. Commercial customers would pay \$2.583 per 1,000 for the first 9,000 gallons per quarter, which would rise to \$3.243 per 1,000 after that. Public authorities such as municipal buildings and schools would pay \$2.583 for the first 9,000 and \$2.842 thereafter. Bingaman told the Chronicle that commercial customers pay a lower rate because they represent approximately 10 percent of the company's customer base and therefore the greatest opportunity for conservation lies with residential customers. He added that a good deal of water could be saved if people were simply more conservative in their outside watering of lawns. Bingaman said that this concept is in accordance with the water conservation standards issued by the Commonwealth of Massachusetts Executive Office of Environmental Affairs.

Aquarion also wants to institute a connection fee to help offset the cost of developing new sources of supply and making system improvements. Depending on the capacity in gallons per minutes, new customers would pay as little as \$2,550 with a 20-gallon-a-minute capacity to \$63,750 for 500 gallons per minute, generally for industrial and commercial customers.

Aquarion is also seeking a hike in the public fire protection charge. For Millbury, the total fire protection charge to the town would rise from \$146,000 to \$168,000 per year, or 15.1 percent. Bingaman said this is essentially a standby mechanism that ensures fire departments can use up to 5,500 gallons of water per minute to fight a fire. It also covers the investment of increasing the water system by approximately 25 percent, he said. He noted that towns are able to use as much water to fight fires as is necessary rather than paying by volume.

Bingaman said that the water company had not had an increase in seven years and that no one liked to come in bearing this kind of news. He said the plan is to raise fees again perhaps in three years in order to keep the increases smaller.

Selectman Joe Coggans said he understood the need for an increase, and that Aquarion has done a good job of communicating with the town. He also praised the company's employees and Bingaman himself. "The only opposition I have is the amount," said Coggans. He said that he understood about Aquarion's not putting in for an increase in seven years, "but that's not my fault." Coggans said an increase of around 20 percent was reasonable.

Bingaman said the company can not change the rates without the approval of the Department of Public Utilities and that this included a public hearing at the Oxford Senior Center on July 9 at 7 p.m.

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