

APPROVED

3/19/24

PUBLIC UTILITIES COMMISSION

TOWN OF WALLINGFORD

45 SOUTH MAIN STREET

ROOM 315

WALLINGFORD, CT 06492

Monday, March 4, 2024

6:00 P.M.

MINUTES

PRESENT: Chairman Robert Beaumont; Commissioners Joel Rinebold and Laurence Zabrowski; Director Richard Hendershot; Water and Sewer Divisions General Manager Neil Amwake; Water and Sewer Divisions Business Manager Donald Langenauer; Mayor Vincent Cervoni and Recording Secretary Bernadette Sorbo

Absent – None

Members of the Public – Larry Cannata, Eric Callocchia – NewGen Strategies & Solutions, LLC

Mr. Beaumont called the Meeting to order at 6:01 P.M., and the pledge of Allegiance was recited.

1. Pledge of Allegiance

Water Division Workshop for the purpose of discussing the *draft* financial forecast, retail cost of service and retail rates for the Wallingford Water Division

Mr. Amwake referenced the Total System Expenses vs. Revenues chart and noted that the light blue line represents the current rate structure. In FY 2024, the Water Division is barely covering the operating expenses and the Water Division does not cover the Cash Funded Capital Projects shown in green or Future Debt Service shown in dark blue or purple. The Cash Funded Capital Projects and Debt Services are being paid out of the Retained Earnings or cash. In FY 2025, if the WWD continues on the current revenue structure, the Water Division will not even be able to cover operating expenses. This is a ten-year model and as it moves forward, the projected expenses vs. revenues gets worse. The orange line shown on the graph represents the proposed rates. The proposed rates skim along the top of the Cash Funded Capital Projects and Future Debt Service.

41 Mr. Amwake noted that the model shown tonight will show that over the next six years, the
42 Water Division will still use approximately \$3.05 million in Retained Earnings (Cash) for rate
43 stabilization. For FY 2030 to FY 2032, the difference between the minimum cash reserve policy
44 as established by the Water Division and the Public Utilities Commission and cash on hand is
45 less than one million dollars. The red line shown on the graph does have a change in the
46 minimum cash reserve policy. The Water Division previously and currently had 6 weeks of
47 operating expenses on hand, though, after further robust discussion, it was decided that a better
48 conservative number is 13 weeks, which is one full calendar quarter.

49
50 Mr. Amwake reviewed the Maine Curve graph. This was developed by the Maine Water
51 Association in 1961. This is a percent of gross revenue that should be applied to fire protection
52 charges. Fire protection is not about the quantity of flow that goes through the hydrant or
53 sprinklers but about how much bigger the overall water supply treatment and distribution system
54 was made to accommodate for the fire flow. This is based on what the ratio of the population as
55 well as the peak demand for the day is.

56
57 Mr. Amwake pointed out that the two redlines depicted on the graph is what a water utility wants
58 to be between (6.0% to 30.0%). Wallingford Water Division is shown as the green line on the
59 graph which is currently at 17.9%. Per the consultant and peak flow for the Water Division
60 population fire protection revenue for the Wallingford Water Division should be at 20.5% which
61 is shown as the blue line on the graph. The Water Division will implement this increase (close
62 the gap between the current 17.9% and the desired 20.5%) over the next ten years as doing this
63 over a one-year period will be too much of a fiscal impact on the rate payers.

64
65 Mr. Callocchia stated that the purpose of the rate model is to develop user rates that result in a
66 sustainable water system, both operationally and financially. The key guiding principles are:

- 67
- 68 • The Town's water utility must be financially self-supporting.
 - 69 • Water rates shall be sufficient to ensure funding of an appropriate level of system
70 rehabilitation, replacement, and improvement.
 - 71 • The Town shall maintain sufficient reserves to meet the Division's Minimum Cash
72 Reserve Policy to provide for rate stabilization and unplanned expenses.
 - 73 • Water rates shall be kept as low as possible over time.
- 74

75 Mr. Callocchia pointed out the Principles of Water Manual written by the American Water
76 Works Association (AWWA) and stated that the manual provides guidance on the rate study
77 process. The first step in the rate study process is the revenue requirements (costs). NewGen
78 needs to know the costs today to make reasonable estimations of what the costs will be in the
79 future. The cost of services can be broken down into different classes. Specifically, in this study
80 the classes were for fire protection and retail customers. Adjustments were made within the
81 structure of the retail class. The next step is to build a financial plan. The financial plan is the
82 overall increase in revenue that are necessitated by the forecast. Then the utility pricing is
83 developed. The utility pricing is the specific rates. This is where NewGen determines the meter
84 ratios and fire protection fees. When those rates are applied to the future to the customers it will
85 generate the revenue to meet the financial planning.

86

87 The data that went into the model was based on the FY 2023 operating and maintenance budget
 88 due to the timing of the start of the study. When looking at the assumptions, NewGen did
 89 forecast this ahead to FY 2024 and beyond costs. Capital plans represent a reasonable amount of
 90 system rehabilitation on a year to year basis. Another key assumption is the declining water use.
 91 Customers are using less and less water. Relying too much on volumetric rates is a risk.
 92 NewGen is assuming that the Water Division customers are going to use less and less water
 93 consist with the historical patterns. This is looked at over a ten-year period.

- 94
 95 The recommended minimum reserves for FY 2024 are:
 96 • O&M: 13 Weeks of O&M expenses: \$1,700,000
 97 • Principal on Debt Service: \$195,000
 98 • Emergency Reserve: \$1,000,000
 99

100 Mr. Amwake stated that the model includes labor, costs and benefits at 90%. It is recognized in
 101 the model that the division will not always be 100% staffed. However, the annual budget gets
 102 billed for 100% staffing. A ten-year model shows a 90% wage, salary and benefits line as
 103 opposed to the annual budget being budgeted at 100%.

104
 105 Mr. Callocchia stated that the fees that are based on meter size are basic service fees. The current
 106 meter ratios are based on the cost of the physical meter. Industry standard is to base those ratios
 107 on the capacity of those meters. How much water can move through the meter in a given
 108 minute? This ratio is shown in the middle column below:
 109

Meter Size	Wallingford Current	Gallons per Minute	AWWA Meter Ratio	AWWA Fire Line Demand Factor
5/8"	1.00	20	1.0	-
3/4"	1.14	30	1.5	-
1"	2.07	50	2.5	-
1 1/2"	3.46	100	5.0	-
2"	5.84	160	8.0	6.19
3"	6.83	320	16.0	17.98
4"	11.14	500	25.0	38.32
6"	18.44	1,000	50.0	111.31
8"	25.73	1,600	80.0	237.21
10"	33.03	4,200	210.0	426.58

110
 111
 112 The Fire Line Demand Factor is based on the nominal size of connection raised to the 2.63
 113 power.

114
 115 Mr. Amwake stated that the decision hierarchy was based off of three items. The first item was
 116 to tackle what the Water Division was going to do regarding the fire line service charges. The
 117 second item in the hierarchy was to look at the basic service fees and the third item was the
 118 consumption rates (dollar per 100 cf). The Water Division has 497 private hydrants and 1,341
 119 public hydrants in the system currently. The private hydrants are those associated at the

120 condominium associations, townhome associations and large shopping plazas. i.e., Kohl's,
121 Lowe's, Home Depot and Ulbrich.

122
123 Mr. Amwake noted that the ratio for a 6" meter is showing the AWWA Fire Line Demand Factor
124 of 111.31. The current FY 2024 rate for the 6" private hydrant is \$66.44 per quarter and became
125 a large number for the associations. After some conversations it was decided to label the private
126 hydrants as public hydrants for the specific purpose of the water rate model. Mr. Amwake
127 pointed out that the private hydrants will still be owned and maintained by the
128 condominium/townhouse association or large commercial property. This means the association
129 or commercial property owners will still be responsible to maintain and repair the hydrant if
130 something was to happen to it. The public hydrants are currently being paid out of the
131 consumption charges. Now all hydrants will be paid out of the consumption charges. If there is a
132 private fire line serving an individual building for the sprinkler systems or onsite tank the
133 customer will still be billed for this private fire line.

134
135 Mr. Callocchia referenced the Fire Line Service Costs vs. Revenue Forecast graph. Costs
136 attributed to Private Fire Line protection (blue bars) are higher than current revenues generated
137 by Fire Line Rates (red line). The green line shows recommended rates slowly closing that gap
138 and will meet the top of the blue column in FY 2034.

139
140 Mr. Amwake referenced the fire service rates and noted the fire line rate for the 6" meter and the
141 adjustments over the FY.

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Fire Line Rates	Current FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
6"	\$66.00	\$67.34	\$82.49	\$101.05	\$122.27	\$146.11

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146 Mr. Callocchia noted a vast majority of the system's fire protection costs are in the public
147 hydrants. This is about \$2,000,000.00 a year. Most of that is buried in the consumption rate
148 (\$/ccf).

149
150 Mr. Hendershot stated that the logic behind treating fire lines differently is that fire lines are
151 unique to that one customer. It's the only customer that fire line helps as it runs into that
152 building.

153
154 Mr. Callocchia reviewed the results of the Basic Service Fee analysis. WWD staff went through
155 the operating budget and identified the proportion of costs on a line item basis that is attributable
156 to the Basic Service Fee. This did not vary with the amount of water that is sold as the Water
157 Division needs to pay the staff and maintain the system. There was an adjustment of the ratios
158 done from the cost of the meter to the AWWA capacity of the meter. The ratios will be
159 transitioned immediately (FY 2025) and generate the appropriate amount of revenue. Now that
160 the decision was made on the fire protection fees and the Basic Services Fees the remainder of
161 the revenue that is needed comes from the consumption charge.

162
163 Mr. Callocchia reviewed the resulting recommendations for the consumption charges. The
164 consumption rate per CCF increases as the revenue increases over the fiscal years.

165

	Current FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Usage Rate per CCF	\$4.09	\$4.49	\$4.83	\$5.07	\$5.32	\$5.59

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Mr. Callocchia reviewed the revenue requirement forecast. The revenue requirement includes operating expenses, existing debt service, new bond debt service and PAYGO capital. The net revenue requirement starts in FY 2024 at \$8,342.00 and ends in FY 2029 at \$10,330.00. The miscellaneous revenue (late fees and interest income) is then subtracted from the total revenue requirement to give the net revenue requirement. The net revenue requirement is the amount that the Water Division will need to raise the fire line fees, basic service fees and usage rates each year.

Mr. Rinebold questioned what is PAYGO capital?

Mr. Callocchia stated that this is the cash for the pay-as-you-go capital.

Mr. Rinebold questioned if the Water Division is anticipating any big capital projects?

Mr. Amwake stated that the only thing the Division is planning on is the Mackenzie Dam repairs.

Mr. Callocchia reviewed the water expenses vs. revenues at FY 2024 rates. This chart includes the costs but does not include any rate revenue increases. The chart shows that the system will be supported for a couple of years by the existing cash balance (Retained Earnings) but then will extinguish the fund balance by FY 2027.

Mr. Callocchia reviewed the customer bill impacts shown below.

	Current FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Median Residential: 5/8", 1,600 cf per Quarter						
Basic Service Fee	\$15.11	\$33.66	\$34.75	\$35.88	\$37.05	\$38.25
Usage Cost	\$65.44	\$71.82	\$77.21	\$81.07	\$85.12	\$89.38
Total Bill	\$80.55	\$105.48	\$111.96	\$116.95	\$122.17	\$127.63
<i>Quarterly change (\$)</i>		\$24.93	\$6.48	\$4.99	\$5.22	\$5.46

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Mr. Amwake reviewed the current quarterly residential customer water bill for 5/8-inch meter and pointed out that the Metropolitan District customer water bill is \$105.74 and the Wallingford Water Division customer water bill is \$105.50 which is 24 cents less than the Metropolitan District. The Wallingford Water Division is also below Regional Water Authority by \$40.78 a quarter and below Connecticut Water Company by \$71.27 a quarter. The City of New London is currently at \$53.45 a quarter but these rates are going to double come July 1.

Mr. Amwake reviewed the quarterly residential customer water bill for 5/8-inch meter basic service fee and consumption charges and pointed out that the solid bar is where the Wallingford Water Division stands with the Basic Service Fee and the diagonal hatching is where the

203 Wallingford Water Division is with quarterly consumption charges. A lot of the rate increase of
204 the \$24.95 a quarter is based on the Basic Service Fee which has not moved since 2007. The
205 Water Division is currently not capturing the back room costs sufficiently. For the MDC, the
206 Town of South Windsor, the Town of Glastonbury and the Town of Farmington all pay a
207 surcharge as a non-member community which is built into the Basic Service Fee.
208

209 Mr. Amwake opened the workshop up for questions.
210

211 Mr. Rinebold questioned why are some of the utility companies less than us and why are some of
212 them more?
213

214 Mr. Amwake stated when looking at other municipal utility companies to compare rates, the
215 Division would need to review how they are paying for pension, healthcare and debt service.
216 Some utilities blend the rate side and the tax side. Other issues to consider is the amount of
217 residential customers vs. commercial customers.
218

219 Mr. Rinebold thanked Mr. Amwake for doing the workshop.
220

221 Mr. Beaumont commented that this is the best representation he has ever seen as to what is out
222 there in the state of Connecticut.
223

224 Mr. Zabrowski stated that he really likes how this was presented. He liked the data and the
225 statistics.
226

227 Mr. Cannata stated he was concerned with the water usage from the irrigation system being used
228 in the condominium association he lives in and questioned if the condo association he lives in is
229 a residential rate or commercial rate?
230

231 Mr. Amwake stated that the Wallingford Water Division only has one rate structure. The basic
232 service fee is based on the size of the meter. Typically, if it is irrigation it would be a 3/4inch
233 meter or 1-inch meter. The current consumption charge of \$4.09 per 100 cf is universal across
234 the town.
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238 **ADJOURNMENT**

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240 **Motion to Adjourn**

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242 **Made by: Mr. Rinebold**

243 **Seconded by: Mr. Zabrowski**

244 **Votes: 3 ayes**
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246 The meeting was adjourned at approximately 7:26 p.m.
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247

248 Respectfully submitted,
249 *Michelle Brucate for*
250 Bernadette Sorbo
251 Recording Secretary
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Respectfully submitted,
Laurence Zabrowski/mb
Laurence J. Zabrowski
Secretary