

MEMORANDUM

TO: Smithfield Town Council in their capacity as the
Smithfield Water Supply Board

From: B. James Suzman, Director & Water Commissioner

DATE: January 4, 2008

RE: *Water Rate Increase*

Please be advised that the RI Public Utility Commission (PUC) has authorized a wholesale rate increase for the Providence Water Supply Board retroactively effective November 1, 2007. **This wholesale rate (at which we purchase treated water) will increase 17.8 % to \$ 1,477.00 per one million gallons. This is the sixth wholesale rate increase in the past ten years. We absorbed several of the past wholesale rate increases with no corresponding retail rate increase; WE CAN NOT DO SUCH AGAIN.**

For us, since we purchase about 400 million gallons per year from Providence at a cost of \$ 500,000, **this rate increase represents an increased purchase cost of treated water from Providence of about \$ 90,000±**

A retail rate hike is required to cover the cost of purchased water. I anticipate a rate increase of at a minimum forty cents (\$ 0.40) per 1,000 gallons retail, tiers 1-2-3; see attached Schedule of Rates.

For the typical residential customer, using 100,000 gallons per year, the bill for water usage would increase by forty dollars (\$ 40) per year.

I will be reviewing w/our consultant and provide additional information prior to the public hearing.

Accordingly the following motion is recommended:

MOVED, that the Smithfield Town Council in their capacity as the Smithfield Water Supply Board hereby approves and schedules a public hearing to amend the existing water rates as outlined in Section 1.1.1 of the *Smithfield Water Supply Board's Rates, Rules, & Regulations*.

RATE & SURCHARGE STRUCTURE
SMITHFIELD WATER SUPPLY BOARD
ADOPTED APRIL 26, 2005

1.1.1 Retail Water Rate

There shall be a three tier retail rate structure, effective immediately to promote conservation and alternative source supply as follows:

- TIER I. The retail water rate for up to 100,000 gallons, shall be \$ 2.30 per 1,000 gallons usage, effective immediately.
- TIER II. The retail water rate in excess of 100,000 gallons up to 1,000,000 gallons (one million), shall be \$ 2.70 per 1,000 gallons usage, effective immediately.
- TIER III. The retail water rate in excess of 1,000,000 (one million), shall be \$ 3.10 per 1,000 gallons usage, effective immediately.

1.1.2 Annual Service Charge

There shall be an annual service charge for all customers. This charge covers basic costs of providing service such as meter reading, system maintenance, and billing. The service charge is based upon the size of the customer's meter and is not related to the quantity of the water used. The annual service charges shall be as follows

<u>Meter Size</u>	<u>Annual Charge</u>
• 5/8" to 1"	\$ 40.00
• 1 1/2"	\$ 80.00
• 2"	\$ 120.00
• 3"	\$ 250.00
• 4"	\$ 400.00
• 6"	\$ 750.00
• 8"	\$ 1,300.00
• 10"	\$ 1,750.00

1.5 Hydrant Rental Charges

Hydrant Rental Charges for the supply and maintenance of fire hydrants to/in the Towns of North Providence and Smithfield are billed annually on a calendar year basis. They shall be \$ 250.00 per year per hydrant.

4.3 Connection/Main Charges for Service Pipes:

Service pipes are installed by the Board, or a Board approved contractor, from the distribution main in the street to the curb stop. The curb stop shall be located as specified by the Board. If installed by the Board, the cost of installation shall be at the prevailing rate for labor and materials as determined by the Board. In addition, the Service Pipe/Main Charge is a connection charge based upon pipe size and is as follows:

<u>Pipe Size</u>	<u>Charge</u>
• 3/4" to 1"	\$ 1500.00
• 2"	\$ 3000.00
• 4"	\$ 6000.00
• 6"	\$ 9000.00
• 8"	\$ 9500.00
• 10"	\$ 10,000.00
• 12"	\$ 12,000.00

6.2 Annual Fire Service Charges:

The annual charge for this service shall be made in accordance with the annual fire service charges as determined by the Board. The annual charge shall be based upon the size of the service connection for each service connection from the main. The annual charge shall be as follows:

<u>Meter Size</u>	<u>Annual Charge</u>
• 1 1/2"	\$ 100.00
• 6"	\$ 200.00
• 8"	\$ 250.00
• 10"	\$ 300.00

- Fire Flow Test fees shall be \$ 100.00.
- Shut-off and Turn-on fees shall be \$ 50.00.
- There shall be a surcharge of \$ 1.10 per connection for the *RI Department of Health*.
- There shall be a surcharge of \$ 0.30 per one hundred (100) gallons usage for *RI State Watershed & Water Quality Funds*.
- The Wholesale Water Rate for the East Smithfield Water District shall be five percent (5%) over the wholesale water rate of the Providence Water Supply Board.

B. James Suzman

Director of Public Works Town of Smithfield & Commissioner, Smithfield Water Supply Board

EXISTING RATE STRUCTURE & REVENUES

Tier	Tier Gallonage	Tier Rate per 1000g (retail)	Revenue	Tier \$% (by rev)	Gallonage
I	less than 100kg	\$ 2.30	\$ 265,941	0.31	115,626,000
II	100kg - 999,999	\$ 2.70	\$ 369,629	0.43	136,899,000
III	more than 1mg	\$ 3.10	\$ 234,076	0.27	75,508,000
			\$ 869,646	1.00	328,033,000

SCENARIO I: FLAT RATE INCREASE

Tier	Tier Gallonage	Tier Rate per 1000kg (retail)	Gallonage	25¢ per 1000g	33¢per 1000g	40¢per 1000g	50¢per 1000g
I	less than 100kg	\$ 2.30	115,626,000	\$ 2.55	\$ 2.63	\$ 2.70	\$ 2.80
II	100kg - 999,999	\$ 2.70	136,899,000	\$ 2.95	\$ 3.03	\$ 3.10	\$ 3.20
III	more than 1mg	\$ 3.10	75,508,000	\$ 3.35	\$ 3.43	\$ 3.50	\$ 3.60

- 328,033,000

Break even point for Wholesale Rate Increase = 29¢ per 1000g to offset increased cost of purchased water (\$ 95,000)

Additional revenue from proposed increase

\$ 82,010	\$ 108,250	\$ 131,200	\$ 164,015
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SCENARIO II: UNBALANCED INCREASE

Tier	Tier Gallonage	Tier Rate per 1000kg (retail)	Gallonage	per 1000g	Revenue	Existing Revenue
I	less than 100kg	\$ 2.30	115,626,000	\$ 2.75	\$ 317,972	\$ 265,941
II	100kg - 999,999	\$ 2.70	136,899,000	\$ 3.25	\$ 444,922	\$ 369,629
III	more than 1mg	\$ 3.10	<u>75,508,000</u>	\$ 3.75	\$ 283,155	\$ 234,076
	-		328,033,000		\$ 1,046,048	\$ 869,646

Break even point for Wholesale Rate Increase = 29¢ per 1000g to offset increased cost of purchased water (\$ 95,000)

Additional revenue from proposed unbalanced tier increase	\$	176,402
Annual Service Charge Increase: (1600 accounts @ \$10; frpm \$40 to \$50)	\$	16,000