

MEMORANDUM

Wastewater Charges Methodology
Status Report

October 16, 2019

To: Sewer SHAREs Work Group

From: SHAREs Think Tank Group

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The small SHAREs “Think Tank” work group has devoted significant time and effort seeking to establish a recommended new wastewater charge methodology. Many alternative approaches have been considered, and an extraordinary amount of detailed data has been analyzed. A robust discussion of potentially including or refining a number of different factors into the methodology has been undertaken. The group has achieved a general consensus on a recommended path forward for Sewer SHAREs that embraces the guiding principles of simplicity and stability in wastewater charges.

The approach under consideration requires further vetting of technical data and development of a carefully prepared process to inform stakeholders as they consider the recommendation. In addition, an alternative approach remains on the table that will require further consideration of incorporating “peaking” into the methodology

The group believes it is imprudent to attempt to complete transition to a new methodology for the FY 2021 wastewater charges. The group is structuring a work plan to complete the path forward by June 2020 in order to support full consideration for FY 2022 wastewater charge development. This work plan will seek to strategically use further information emerging from the Master Plan including proposed project concepts that may not directly align with traditional assignments to the 83/17 Combined Sewer Overflow (CSO) Cost Pool.

The group also believes it would be imprudent to make an interim adjustment to SHAREs while final details of a new approach and further understanding of Master Plan projects are in progress. We are concerned that two separate adjustments, which may be directionally inconsistent with respect to methodology and impact, could only serve to confuse stakeholders and frustrate our overarching objective of ultimate acceptance of a simpler, stable and equitable methodology. As such the group recommends that the existing SHAREs remain in effect for determination of FY 2021 wastewater charges.

Path Forward Agreements in Principle

The group has coalesced around these general preferences regarding a proposed new charge methodology:

1. Establish two or three “Cost Pools” and related Units of Service measures and eliminate the rest
 - *Consistent with general Raftelis study recommendations*
2. Focus on simplified, volume-based categories to establish Units of Service
 - *No Strength of Flow / Pollutants*
3. Reduce reliance on expensive studies that provide an “illusion of accuracy”
 - *Consistent with Raftelis study recommendations*
 - *Reduce costs, saving money for all customers*
4. Use discretely measurable volumes of both sanitary and total flow
 - *Metered flows for the System in total and the Master Metered Customers*
 - *Use studies undertaken in the last 12 months along with historical D+ studies to split the remainder into D+ and “Common” based on simplified assumptions*
5. Use longer term averaging of historical annual flow balance data for Units of Service
 - *10-year average (start with 7 years to match current flow balance protocols)**
 - *Recognize service area / operational / demographic adjustments where appropriate*
6. The recently completed FY 2019 Flow Balance should be the final year used in historical averages for the FY 2022 SHARES
 - *Imprudent to attempt to incorporate fully vetted FY 2020 data*
 - *The FY 2019 results include “outliers” that need to be fully vetted and settled prior to utilization*
7. Consider cost pool assignments for the proposed conceptual projects that have recently emerged from the wastewater Master Plan Project
 - *Consider use of the 83/17 CSO Cost Pool*
 - *Consider cost pools needed for projects which benefit the region differently than a strict CSO or non-CSO benefit (wet and dry weather benefits)*

* An illustration of interpretation of recent flow balances is available in the appendix.

- *Consider cost allocations of projects which make use of local systems for the regional benefit*
 - *Consider other Regional System operational complexities and the need to address them in a holistic manner*
8. Consider possibility of incorporating an additional peak flow component into recommended methodology
 - *Aligns with Raftelis study recommendation*
 - *May result in modified Cost Pools with a peak flow Unit of Service measure rather than the 83/17 CSO Cost Pool*
 9. Use the FY 2020 Cost of Service Study[†] to establish guidance for populating Cost Pools, then simplify the application with policy driven assignments of weightings to Units of Service measures
 - *Results in **simplified** method to explain and understand*
 - *Promotes long-term **stability***
 - *Embraces notion that future focus areas are designed to serve overall mission of Wastewater Master Plan*
 10. Establish periodic review of policy weightings developed in (9) to ensure adherence to general “cost causative” factors

[†] With updates as appropriate from the FY 2021 Cost of Service Study