

WINNIPESAUKEE RIVER BASIN PROGRAM
Capital Improvement Program (CIP) Subcommittee
Minutes – July 18, 2012

Attendees: Chairman Brian Sullivan (Franklin), Sharon McMillin (DES), Steve Dolloff (DES) Ray Korber (Bay District), Jeanne Beaudin (Belmont) Dan Leonard (Meredith) and Paul Moynihan (Laconia).

WRBP Rate Structure Metrics and Calculations:

Jeanne Beaudin presented tables with number of sewer connections and budget provided from each member community. Brian Sullivan commented that there have always been questions on how everyone is assessed. The method of WRBP assessment to member communities has not been changed since the 1980's and each community has a different method to assess their sewer customers. There has been a decline in industry, seasonal variances and lower customer numbers. WRBP is spending money to complete the flow meter installation project and the key is for all the communities to be on board with the new rate allocation methodology. Brian added that this has the potential for the most division among the towns, and the Committee needs to present something that works for everyone. He asked what would be an allowable percentage for infiltration if the costs are based upon flow. Sharon McMillin suggested looking at peak flows or a combination of factors which could include flows and population. If peak flows are used, it could give towns the incentive to deal with I/I issues within their systems in order to reduce the amount of their flow.

Brian Sullivan suggested that it is important to start with everyone agreeing on infiltration and inflow (I and I). If all the towns have problems with their systems, how much can realistically be corrected and how much money is available for improvements. Therefore, basing the assessment entirely on flow is unrealistic. Dan Leonard agreed that that he is responsible for his town's I/I, but at the same time we have to think of the whole system and one town shouldn't be paying for another's I/ I issues. Steve Dolloff sees this as a process that will take years to flesh out but that we will start to get some idea of I/I issues in different areas. He pointed out that at this time of year, when it is dry, we can better determine the flows from communities and not from I/I.

Paul Moynihan asked if it will take years to create the allocation formula. Jeanne Beaudin commented that measuring the flow will be helpful in creating the formula because each community is so different. Sharon McMillin asked if we still want 4 separate invoices (each billing category has a slightly different formula) or do we want one of at least fewer formulas. Jeanne Beaudin stated that the current capacity allocations are outdated because it was based on projections in the 1970s. The capacity allocations have not changed over the years, but the

communities' use of the system has. Ray Korber added that those communities that are controlling their I/I, shouldn't be paying for other communities who are not. Therefore, I/I has to be part of the equation which should provide economic incentive to towns to reduce their I/I on a cost/benefit basis. He added that if the towns don't control I/I, it pushes costs of the whole system up. Brian Sullivan stated that affordability has to be considered for the town's ability to pay for improvements as well as ratepayer costs.

Ray Korber replied that the cost of operation is the cost to the towns and the key is to reduce the cost of the operation. We have to focus on a cost structure that's affordable and equitable to the towns. The formula has to:

- Be equitable
- Be understandable/transparent
- Be accurate
- Create a structure that unifies communities
- Make the operation financially viable
- Stabilize rates.

Ray Korber suggested figuring out a framework for creating the formula so that decisions made can be within that framework. All communities will have to "own" those objectives so that everyone understands that the results will be in the best interest of the WRBP, because the process may not end up with costs savings, but higher rates in some communities.

Brian Sullivan commented that Tilton, for instance, has had tremendous growth in commercial development and may not be accounting for it. Each community has its own system and sewer rates and may not have the expertise to make changes. Ray Korber replied that each community has to do self-evaluation and the whole district needs to hold the communities accountable. He added that the flow based approach will help, so we need to be sure we are capturing each communities' flow. Then each community can deal with their own systems.

The O&M formula is based upon estimated flow, miles of pipe, and an estimated proportional use of pump stations. The Admin formula is based upon capacity "purchased" by each community. These two items are 80% of the budget, so if we focus on these two, we've got 80% of the budget. The remaining 20% is Capital Recovery and Sinking fund (debt service and replacement fund, respectively). Ray Korber suggested that once we go with flow it would be worthwhile doing some calculations to see how towns will be impacted. He also suggested that each town should make a presentation on their current sewer systems and how they are capturing the flow so that they have ownership of the whole system. Brian Sullivan commented that measuring the flow is going to be fair and equitable because it is what it is – a measurable quantity. Ray Korber added that it will give towns the economic incentive to look carefully at

their systems to try to reduce their flow. It will be important to get all towns to “own” the system so that if one town’s system needs work the whole district isn’t paying for it. We need to establish documentation of those assets owned by the WRBP so that when that asset needs work it gets paid for out of the Sinking Fund. If it is not on that list of WRBP assets, the community pays for it. The ownership inventory that is currently underway is the first step in establishing this documentation.

It was generally agreed that O&M and Admin should be flow based with Capital Recovery and Sinking Fund based upon capacity allocation. However, other factors may still be considered in the final formulas.

Ray Korber stated that industrial users contribute a cost to the system that should be considered as they contribute chemicals and require permitting and inspections that make treatment costs higher since the WRBP Industrial Pretreatment Program needs to be maintained to support those industrial users.

Paul Moynihan asked what happens in the future if the meters are not maintained over the years. Steve Dolloff replied that the meters have to be maintained because accuracy is important. Dan Leonard assumed that there will be rolling maintenance of the meters to keep the accuracy as it is the motivator to get communities to improve their systems to reduce their I/I. Communities will have to do a cost/benefit study to determine if rehabilitating their sewer system will reduce I/I enough to offset increased WRBP assessment costs.

Ray Korber will start on goals and objectives for the next meeting. Sharon McMillin will provide a chart of each community’s allocations and a brief description of the current formula.

The next meeting is scheduled for August 8, 2012 at 10 am in Belmont (changed later to August 9th).

Ray Korber moved, seconded by Dan Leonard to adjourn the meeting at 11:25 am.

Minutes prepared by Eliza Conde