



CITY OF CAMBRIDGE
Finance Department
City Hall, Cambridge Massachusetts 02139

Administration 349-4212
Tax/Utility Coll 349-4220
Treasury 349-4212
Payroll 349-4290

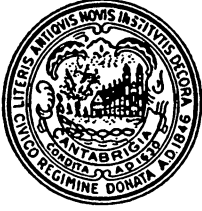
To: Robert Healy, City Manager

From: James P. Maloney, Jr., Assistant City Manager, Fiscal Affairs

Re: MWRA Sewer Rates

Date: May 13, 1993

Attached is a memo from Tom Moses to me regarding the issue of MWRA sewer rates and responding to the March 26, 1993 letter from Robert Ciolek. The Finance Department recommends that Cambridge express interest in Boston's objectives, but, at the present time, refrain from joining them in their lawsuit against the MWRA.



CITY OF CAMBRIDGE
Finance Department
City Hall, Cambridge Massachusetts 02139

Administration 349-4212
Tax/Utility Coll 349-4220
Treasury 349-4212
Payroll 349-4290

To: James P. Maloney, Jr., Assistant City Manager, Fiscal Affairs
From: Thomas Moses, Assistant Finance Director 
Re: MWRA Sewer Rates
Date: May 12, 1993

You recently received a copy of a letter from Robert Ciolek of the Boston Water and Sewer Commission to the Cambridge City Council, the purpose of which was to solicit support and/or monetary commitment for a lawsuit that they may bring against the MWRA to block a change to the way wholesale sewer charges are determined. Although Mr. Ciolek's general assessment of the situation is accurate, you may find additional information helpful. Mr. Ciolek may be unaware of the progress of the MWRA Advisory Board Sewer Rate Methodology Committee. I am the representative to that committee from the City of Cambridge.

The purpose of this memo is to 1) provide a historical perspective on this issue, 2) respond to Mr. Ciolek's letter with a recommendation to the City Manager, and 3) bring you up to date on the progress of the Committee and provide additional information which will be useful to the City Manager in formulating an official response.

HISTORICAL PERSPECTIVE

The issue of rate methodology began with the MWRA in its fiscal year 1987, when the Board of Directors decided it wanted to evaluate alternatives to the current methodology which might more accurately apportion costs or provide greater incentives to ensure system efficiency and environmental protection. This decision was in response to pressure from non-CSO communities which felt that CSO (combined sewer outflow) communities were not paying their proportional share of MWRA expenses. As a first step in that process, the MWRA embarked on a multi-million dollar capital project to install flow meters in the sewer system. That project will be substantially complete this summer. The Advisory Board created the Rate Committee in 1992 for the purpose of making a rate methodology recommendation to them.

During the winter of 1992/93, it became evident that loads on the system originally thought to be attributable to CSO's were overestimated. Meters picked up very high peak flows at nodes upstream from CSO communities during, and immediately after, severe storms. Douglas McDonald, Executive Director of the MWRA, attributes this to another substantial component of flow, infiltration/inflow. Suburban non-CSO communities contribute greatly to system-wide I/I. Therefore, the negative impact to Cambridge and Boston of moving toward a flow based rate may have been overestimated. Nevertheless, the potential for an increase in wholesale rates as a result of a methodology change is still a very real threat to Cambridge.

Cambridge is taking a number of steps to protect our interests and those of our ratepayers, including a \$40 million sewer separation project. Our representation on the Rate Committee insures that we will have significant input into any recommendation made to the Advisory Board.

RECOMMENDATION

Boston has used the lawsuit as a means to protect their interests, which are similar to ours. **I recommend that we express our interest in their objectives but refrain from committing to outright support of the suit.** For reasons outlined below, changes to the rate methodology, if any, probably wouldn't occur before fiscal year 1996. It may be useful, however, to keep the option of a suit open. According to Barbara Gottschalk, Boston's Budget Director and fellow Committee representative, once non-CSO communities become aware of the likely time frame, they may initiate a suit of their own to accelerate changes. At that point it may be necessary to countersue.

PROGRESS OF COMMITTEE AND ADDITIONAL INFORMATION

1. The Rate Committee was formed to review and recommend a sewer rate methodology. The Committee hasn't, as yet, made any recommendations. However, it appears very likely that they will recommend some modification to the existing methodology. It is very possible that this recommendation will have a negative impact to Cambridge and to our ratepayers.
2. If there is a change to the methodology, it is almost certain that there would be a phase in period. The committee has discussed five years, and there appears to be a general consensus. Mr. Ciolek's contention that there would be an additional 23.3% increase in rates for FY94 is, therefore, inaccurate.
3. Mr. Ciolek further assumes that the methodology will change from the current one based on population and population equivalents to one rate based 100% on flow. He supports this assumption with a spreadsheet (which was not attached) that came from MWRA staff and evaluated the accuracy of the MWRA's metering data and forecast the impact on wholesale customers if the rate were based totally on flow. A flow based rate is not a foregone conclusion. With one exception (Walter Woods of Wellesley), no committee member supports a 100% flow based

rate. Every member, including Mr. Woods, recognizes the level of error in the current flow data. It is likely that metered flow will be a substantial component of any rate methodology change recommendation from the Committee. The MWRA may be politically motivated to support this since, they have invested in this new technology and feel compelled to "get their money's worth."

4. There is support within the committee, and it is the opinion of Mr. McDonald, that any rate methodology change, if adopted, should be effective when the new Deer Island treatment plant comes on line, which may be years from now. It is Mr. McDonald's view that any change implemented now would require further change when the plant comes on line, since the cost structure for treatment of a unit of sewage would change. Timing is an agenda item for the Rate Committee's May 14, 1993 meeting.
5. There is a movement within the committee, led by Boston and Cambridge, to recognize the fact that improvements in local systems benefit all users of the MWRA. This recognition would take the form of credits in the rate methodology. Any investment that reduces loads on the MWRA interceptors and treatment plants reduces the need for future expansion or improvements to the MWRA system.
6. Although there is significant resistance to incorporating credits for local investment into the rate formula, opponents seem amenable to using grants for the same purpose. Such credits/grants could go a long way in offsetting increases to Cambridge due to a methodology change. At the last meeting, I stressed that if the committee ultimately goes the route of grants, it is important to tie these formally to the rate formula. Without that relationship it would be too easy to bow to pressure to keep wholesale rates low by temporarily suspending the grants, thereby applying an illusory short term solution to a long term problem. Further budget and political pressures could then cause the temporary suspension to become permanent and threaten the viability of the new rate methodology.



EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

TEL 349-4300
FAX 349-4307

9.

May 17, 1993

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 30, regarding a communication from the Executive Director of the Boston Water and Sewer Commission relative to the current sewer rates, received from James P. Maloney, Assistant City Manager for Finance, concerning this issue.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Robert W. Healy", is written over a horizontal line.

Robert W. Healy
City Manager

RWH/mev
attachment

Consent Agenda #9
Response to Awaiting Rpt. #30
RE: Current Sewre Rates

5-233

for original Comm.
see Finance 1993
76

In City Council,
May 17, 1993

placed on file