

Gull Lake Sewer & Water Authority

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Memorandum

via email

3 pages total

Attn: Bruce Merchant, City of Kalamazoo Public Services Director

Cc: Ken Collard, City Manager, City of Kalamazoo
Gull Lake Sewer Authority Board of Directors
Ken Sparks, Authority legal counsel
Mark Beauchamp, Rate consultant for Regional Commission

Re: Proposed Wastewater rate increase – Municipal Customers = 15% +

On December 3rd, as participants with the Regional Commission attending the City of Kalamazoo's Utility Advisory Board, we were surprised to learn the magnitude of the proposed wastewater rate increase. The increase is scheduled to be presented to City Commissioners on December 14th and enacted beginning January 1st. The proposed increase appears to be a recommendation from Bart Foster (or from the City?) implementing a change in "wastewater strength allocation" to all customer classes. While the wastewater increase impacts all customer classes except industrial- monitored customers, it is twice as much for municipal bulk rate customers (Gull Lake, Portage, Augusta, Galesburg, Vicksburg, Parchment, Mattawan and South County), as the cost shift is related to the wastewater treatment cost and not collection system costs.


As best as we can determine from the limited data provided December 3rd, a portion of which is displayed on the attached sheets, all residential and small commercial customer's wastewater rates (in-city and out-city) will increase 5-18% except for the industrial monitored customers, as their strength is known (?) because the City staff measures flow and strength from these customers on a regular basis (Pfizer, Graphics Packaging, and other industrial customers). These industrial customers, some being "monitored" customers, are proposed to receive an average 8.6% decrease in rates. However, as I recall and I believe as shown on the attached sheet labeled "page 4", the system-at-large has, for a long-time, been absorbing the monitoring costs + the industrial pretreatment costs for the industrial customers, and years ago, I seem to recall the annual costs for monitoring were well over \$500,000 (staff, trucks, lab, etc.).

Although the possibility of sewer rate "shifts" as a result of wastewater strengths adjustment have been occasionally discussed over the past 25 years, the roll-out last week of what is apparently a permanent shift of treatment costs from the industrial-monitored customer to all other customer classes (including in-city residential), as presented on December 3rd, appears onerous for the following reasons:

- There is no chance for meaningful input from the affected customer groups.
- There is little chance for meaningful input from the Kalamazoo Regional Water and Wastewater Commission.
- There was little chance for meaningful input at the City's own Utility Advisory Board (created in December, 2008).
- There is little or no scientific data being presented as to the sampling and monitoring system-wide.
- Access to the inputs behind Mr. Foster's rate model have not been made available to understand the shift.
- There is no understanding of how this will impact the lookback for 2010 and beyond.
- There appears no consideration by the City to balance this shifting of cost from industrial users to residential and commercial users with recovery of the monitoring costs incurred for monitoring the industrial customers.

Therefore, we respectfully request the City of Kalamazoo postpone the enactment of the proposed rates until the full long-term impact of the wastewater strength allocation is explained and understood.

Respectfully,


Rich Pierson, Director

Comparison of Existing and Proposed Wastewater Rates

	<u>Existing Rates (a)</u> \$/unit	<u>Proposed Rates</u> \$/unit	<u>Variance</u> \$/unit	<u>% Variance</u>
Commodity Charges - \$/cu mtr				
Inside City Retail	0.315	0.287	(0.028)	-8.9%
Outside City Retail	0.680	0.757	0.077	11.3%
Contract Municipality Wholesale	0.408	0.473	0.065	15.9%
Wholesale Galesburg	0.439	0.504	0.065	14.8%
Quantity Charges - \$/cu mtr				
Pfizer	0.147	0.168	0.021	14.3%
Graphic Packaging	0.057	0.037	(0.020)	-35.1%
Indust'l - Inside City	0.098	0.048	(0.050)	-51.0%
Indust'l - Outside City	0.408	0.442	0.034	8.3%
Septage Haulers	20.636	84.037	63.401	307.2%
BOD Quality Charges - \$/kg				
Pfizer	0.525	0.510	(0.015)	-2.9%
Graphic Packaging	0.419	0.388	(0.031)	-7.4%
Indust'l - Inside City	0.443	0.412	(0.031)	-7.0%
Indust'l - Outside City	0.541	0.526	(0.015)	-2.8%
Septage Haulers	0.566	0.556	(0.010)	-1.8%
TSS Quality Charges - \$/kg				
Pfizer	0.686	0.564	(0.122)	-17.8%
Graphic Packaging	0.484	0.387	(0.097)	-20.0%
Indust'l - Inside City	0.512	0.411	(0.101)	-19.7%
Indust'l - Outside City	0.707	0.582	(0.125)	-17.7%
Septage Haulers	0.740	0.615	(0.125)	-16.9%
NH3 Quality Charges - \$/kg				
Pfizer	2.651	2.057	(0.594)	-22.4%
Graphic Packaging	2.404	1.716	(0.688)	-28.6%
Indust'l - Inside City	2.544	1.826	(0.718)	-28.2%
Indust'l - Outside City	2.736	2.122	(0.614)	-22.4%
Septage Haulers	2.860	2.243	(0.617)	-21.6%
Per Bill Charges - \$/kg				
<u>Inside City - Quarterly</u>				
5/8"-3/4"	6.53	7.10	0.57	8.7%
1"	6.65	7.16	0.51	7.7%
1-1/2"	7.00	7.34	0.34	4.9%
2"	7.46	7.58	0.12	1.6%
<u>Inside City - Monthly</u>				
5/8"-3/4"	5.76	6.71	0.95	16.5%
1"	5.79	6.73	0.94	16.2%
1-1/2"	5.91	6.79	0.88	14.9%
2"	6.06	6.86	0.80	13.2%
3"	6.49	7.08	0.59	9.1%
4"	9.65	8.68	(0.97)	-10.1%
6"	10.81	9.26	(1.55)	-14.3%
8"	13.54	10.64	(2.90)	-21.4%
<u>Outside City - Quarterly</u>				
5/8"-3/4"	9.65	11.20	1.55	16.1%
1"	10.14	11.74	1.60	15.8%
1-1/2"	11.58	13.35	1.77	15.3%
2"	13.52	15.49	1.97	14.6%
<u>Outside City - Monthly</u>				
5/8"-3/4"	6.43	7.62	1.19	18.5%
1"	6.59	7.79	1.20	18.2%
1-1/2"	7.07	8.34	1.27	18.0%
2"	7.72	9.05	1.33	17.2%
3"	9.49	11.02	1.53	16.1%
4"	22.55	25.52	2.97	13.2%
6"	27.39	30.88	3.49	12.7%
8"	38.67	43.42	4.75	12.3%
Others	4.90	5.92	1.02	20.8%

(a) Designed to recover 2008 revenue requirements, based on 2008 cost of service allocations

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Table 21
Wastewater Utility
Comparison of Adjusted Allocated Cost of Service with Revenues Under Existing Rates
Test Year 2010

Line No.	Customer Class	(1) Total Cost of Service \$	(2) Adjustments \$	(3) Adjusted Total Cost of Service \$	(4) Revenue Under Existing Rates \$	(5) Adjusted Cost of Service Compared to Revenue Under Existing Rates % (3)-(4)	(6) Indicated Increase (Decrease) in Revenue Under Existing Rates % (5)/(4)
INSIDE CITY RETAIL							
1	Residential	1,389,300	138,700	1,528,000	1,594,400	(66,400)	(4.2)
2	Commercial	1,565,200	156,300	1,721,500	1,856,200	(134,700)	(7.3)
3	Industrial	148,800	14,900	163,700	179,300	(15,600)	(8.7)
4	Industrial - Monitored	400,500	40,000	440,500	530,900	(90,400)	(17.0)
5	Subtotal	3,503,800	349,900	3,853,700	4,160,800	(307,100)	(7.4)
OUTSIDE CITY RETAIL							
6	Residential	2,366,500	(37,400)	2,329,100	2,074,800	254,300	12.3
7	Commercial	2,636,100	(41,600)	2,594,500	2,324,500	270,000	11.6
8	Industrial	84,300	(1,300)	83,000	76,600	6,400	8.4
9	Industrial - Monitored	640,600	(10,100)	630,500	671,900	(41,400)	(6.2)
10	Subtotal	5,727,500	(90,400)	5,637,100	5,147,800	489,300	9.5
CONTRACT INDUSTRIES							
11	Pfizer	3,758,300	(172,000)	3,586,300	3,908,200	(321,900)	(8.2)
12	Graphic Packaging	886,600	29,900	916,500	1,020,200	(103,700)	(10.2)
13	Subtotal	4,644,900	(142,100)	4,502,800	4,928,400	(425,600)	<u>(8.6)</u>
MUNICIPALITIES							
14	Portage	2,985,100	(87,900)	2,897,200	2,500,900	396,300	15.8
15	Galesburg	121,800	(3,600)	118,200	103,600	14,600	14.1
16	Parchment	123,700	(3,600)	120,100	103,800	16,300	15.7
17	Vicksburg	155,900	(4,600)	151,300	130,700	20,600	15.8
18	Gull Lake	511,400	(15,100)	496,300	428,300	68,000	15.9
19	Augusta	44,500	(1,300)	43,200	37,200	6,000	16.1
20	Mattawan	220,800	(6,500)	214,300	184,900	29,400	15.9
21	South County	50,600	(1,500)	49,100	42,500	6,600	15.5
22	Subtotal	4,213,800	(124,100)	4,089,700	3,531,900	557,800	15.8
DEWATERING							
23	Inside City	81,700	0	81,700	28,700	53,000	184.7
24	Outside City	122,500	0	122,500	63,500	59,000	92.9
25	Subtotal	204,200	0	204,200	92,200	112,000	121.5
26	Septage Haulers	167,600	6,800	174,400	63,200	111,200	175.9
26	Industrial Surveillance	0	0	0	0	0	0.0
26	Industrial Pretreatment Program	0	0	0	0	0	0.0
27	TOTAL	18,461,800	100	18,461,900	17,924,300	537,600	3.0
28	Inside City	4,472,100	379,800	4,851,900	5,209,700	(357,800)	(6.9)
29	Outside City	13,989,700	(379,700)	13,610,000	12,714,600	895,400	7.0
30	TOTAL	18,461,800	100	18,461,900	17,924,300	537,600	3.0

For many years, the system at-large has been absorbing the monitoring costs associated w/ monitored customers!