

PROPOSED WATER RATE INCREASES

The District recently informed its customers that it intends to increase water rates by an average of 13 percent. In addition to the mailing our customers received and the notice published in the Times-Record, we want to provide additional information that space did not permit us to include. With that, we would like to note the following:

Our Water Rates Are Reasonable

We know that a “13 percent” average increase sounds like a lot, but let’s look at the costs:

- A customer who uses 1,200 cubic feet of water, approximately the amount a one or two person household would use, will pay \$1.33 per month more - an 11 percent increase. Of the 159 public water systems in Maine, 79 percent of them have higher rates at this level of usage.
- A customer who uses 2,000 cubic feet of water, approximately the amount a family of four would use, will pay \$2.00 per month more - a 10.6 percent increase. Seventy-two percent of public water systems have higher rates at this level of usage.
- A customer who uses 4,000 cubic feet of water will pay \$3.67 per month more - a 10.2 percent increase. Of the 159 public water systems in Maine, 64 percent of them have higher rates at this level of usage.
- Large users will see greater increases in their bills. Nevertheless, approximately 30 percent of Maine water utilities have higher rates for large users.

Our water costs about four-tenths of a cent per gallon, delivered. We think that is a pretty good value, no matter how much you use!

Our Rate *Structure* Is Reasonable

Historically, the District has had what is called a *declining rate structure*. That means that the amount a customer pays for a unit of water declines as more water is used. In essence, large users got a discount. Declining rates are being replaced by uniform rates, where the rate structure is designed so that the amount one pays for a unit of water is approximately the same no matter how much water is used. In some areas of the country, particularly regions where water supplies are not abundant, *inclining rates* are used. As more water is used, the more the rate, and the total cost, increases. These are also called *conservation rates*, and as the name implies, they are intended to encourage conservation.

We have gradually been shifting our rates to a more uniform structure. We believe that this is fair. We do not believe that we should set rates so that any customer pays in such a way as to subsidize any other customer, large or small. The rate structure that we have proposed in this increase is very nearly uniform. Eliminating the discount given for high usage in our current rates is the reason that large users will see increases in their bill on the order of 20 to 25 percent. Because most Maine water utilities still have declining rates, costs to our larger customers are generally higher than at most other utilities.

This Rate Increase Is Necessary

The District is a public utility regulated by the Maine Public Utilities Commission and receives all of its operating revenues from water sales to its customers. We are self-supporting and do not receive any money from taxes or State or Federal aid. Therefore, when our expenses increase we must increase our rates and total revenues. The PUC reviews our rates to insure not only that they are reasonable for the consumer, but also that they are sufficient to support our operations and manage the utility properly.

Our power, fuel and chemical costs increased significantly in 2008. In addition, the District borrowed \$1.75 million in 2008 to replace the water main in River Road in Brunswick. We also borrowed money in 2007 to purchase land for groundwater protection. Our principal and interest payments for 2009 for these projects are \$132,000. In addition, the Navy has implemented conservation measures and has begun the process of curtailing operations prior to its planned closure in 2011, so we have seen declining demand, and therefore revenue, from them. These factors resulted in a budgeted loss of over \$200,000 for this year, and a rate increase is required to overcome this deficit.

Consequently, the Board of Trustees initiated a study to set new rates last fall. At that time, troubles in the national economy were just beginning. Unfortunately, as our work to implement this rate increase progressed, disruption and uncertainty in the economy has deepened.

We understand that this is not the most favorable time for our customers to see even small increases in their bills. Nevertheless, this increase is necessary. We must continue to meet our financial obligations. We must also continue to insure that we provide water that is always safe to drink, and is always available.

Let Us Know What You Think

Please feel free to call, write or email if you have any questions or comments. You are also invited to attend the Public Hearing that will be held out our office at 266 River Road in Topsham on Tuesday, March 17 at 6:00 PM. We look forward to hearing from you.