



Town of Chatham
Economic Development Committee



MEMORANDUM

TO: Honorable Board of Selectmen
Jill R. Goldsmith, Town Manager

FROM: Luther Bates, Chairman
Economic Development Committee

DATE: 11/22/2017

SUBJECT: Water Rate Proposal Comments and Future Water Strategy for the Town of Chatham

** Note – 1 unit = 100 cubic feet = 748 gallons **

The Economic Development Committee has recently discussed and analyzed the current proposal by the Chatham Water Department to increase water rates for the Town.

After review and discussion of multiple factors the EDC disagrees with the proposal for the following reasons:

- **The proposed water rate changes will disproportionately affect the smaller water user.** More than half of the 7,000+ water accounts in Town use less than 60 units per year.¹ EDC analysis shows that the annual water bill for the median user (60 units/yr = 45k gallons/yr) will increase by 65%, while that of a larger user (500 units/yr = 374k gallons/yr) will increase by 33%. EDC analysis suggests that larger users are driving the need for increased Town water infrastructure, and we believe that it is more appropriate to shift the burden of financing this need to those larger users.
- **The proposed tier structure does not adequately deter large usage.** Over 400 users are consuming more than 5X the median consumption. Over 1000 users are consuming more than 3X the median consumption. The highest proposed tier only would be implemented at less than 2X median consumption. Adding one or more additional higher usage tiers at significantly higher rates would create a more significant and appropriate deterrent for high water use.
- **Many commercial water users will be financially disadvantaged by the increasing tier structure relative to residential users.** Because private wells are appropriate for only non-potable water usages, only a residential user would have the option of installing a well to reduce water costs. Further, while many commercial users are larger water users, analysis suggests that the recent increase in the demand for Town Water is being driven primarily by residential users. Given that the shortage of gainful employment opportunities is a primary contributor to our previously articulated demographic problem, EDC believes that any new rate structure should provide relief to commercial users.
- **A sunset or lookback clause should be incorporated.** EDC favors the attachment of a clause requiring a maximum 5 year re-evaluation period on all new or increased fees.

The EDC further believes that, in conjunction with water rate changes that are designed to discourage larger water usage, a **new Town Water global strategy** should be considered . EDC believes that ***it will be in the best interest of the Town to develop an education campaign as well as an incentive program to encourage private well installation for larger users.*** The objective would be to shift the burden of supplying residential irrigation water off of the Town infrastructure and on to private infrastructure.

- Increasing the number of private wells that will supply larger users of Town Water, particularly those users who consume water for residential irrigation purposes, will drive down the demand for Town Water.
- Reducing the demand for Town water has the potential to reduce Town infrastructure costs by:
 1. Reducing/eliminating the need for new filtration plants;
 2. Reducing/eliminating the need for new wells or the reworking of existing wells;
 3. Reducing/eliminating or at least delaying the need for construction of additional water storage facilities.
- Installation of a private well can be an economically sound decision for larger users.

Residential users can expect to pay \$3500-\$5000 for the installation of a private irrigation well. EDC analysis suggests that this is a high return-on-investment strategy for larger users, with an expected payback period of 1.75-2.5 years for a user of 500+ units/yr . “Car pooling” by installation of a shared well that supplies 2 or more houses would make this investment even more fiscally attractive.

Therefore, the EDC recommends that the Town immediately begin to develop a program that educates all Town citizens on the fiscal and social importance of water conservation practices and responsible irrigation.

EDC further recommends that the Town begin to explore the creation of an efficient incentive program designed to encourage new private well installation.

EDC further recommends an internal water usage audit of all Town-owned properties and the development of water conservation strategies where appropriate.

¹ - 2015 Town consumption data.

The Town of Chatham provides water to more than 7,000 individual water accounts, of which:

- 3600 users (51%) consume fewer than 60 units;
- 5000 users (71%) consume fewer than 100 units;

Of the total 2015 Town of Chatham water consumption of 668k units:

- The top 100 (1.4%) consume 95k units (14%);
- The top 500 (7%) consume 225k units (34%).
- The top 1000 consume 325,000 units (49%);
- The bottom 6000 (86%) consume 344,000 units (51%);