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Town

Town looks reality in the eye on utility rates

What is the true cost of providing and maintaining water-sewer service?

By Roger Bianchini
Warren County Report

The Front Royal Town Council got an update on details of a consultant report on water-sewer utility rate hikes that will be necessary to cover infrastructure costs in coming years. The initial report from Burton & Associates came in 2010.

Chief among the town's concerns are the costs of the federally-mandated upgrades to wastewater disposal related to preservation of the Chesapeake Bay and its billion-dollar fishing industry. Municipalities in the Bay's watershed, which includes the Shenandoah River where processed town wastewater is disposed of, have been given a timetable to upgrade wastewater disposal systems to account for pharmaceuticals and other wastes aging systems are not designed to eliminate. Those wastes have been linked to disease and sexual mutations in the fish population of various rivers, including the Shenandoah and Potomac.

The cost estimate for the town's wastewater upgrades is currently at \$40-million. Initial estimates made about five years ago when the mandate and timetable were first announced was \$30-\$32 million. But Front Royal, like many of its neigh-

bors, has chosen to delay implementation. Whether the decision to delay is based on political hope costs will decrease or perhaps that the mandate itself will disappear, is an ongoing matter of speculative parlor talk.

Whatever the case, with their backs against the timetable wall those municipalities now have to deal with reality. That reality is that despite the ongoing national recession, costs are up and the clock is ticking toward a deadline that includes significant financial penalties for a failure to implement on schedule.

The news, good and bad, was brought to council by Michael Burton, president of Burton & Associates at an eventful Sept. 4 work session (see AMP solar power story).

Among the bad news is that while four-plus years into the recession the economy hasn't brought construction costs down, it has decreased water-sewer utility demand. That reduction in its customer base for water-sewer service was estimated at 25 percent by Burton. Another downer for council was the fact that related costs of providing its utility service have continued to climb. Those costs include electric rates, fuel and chemical costs and climbing health insurance costs for staff.

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Consequently, Burton is recommending annual hikes to the town's fortuitously low existing water and sewer rates. Charts provided put Front Royal water-sewer rates in the lower third of municipalities included in Burton's rate studies.

In fact at 3,000 gallons per month, Front Royal's combined monthly water-sewer rate was lowest among 16 municipalities at about \$21.

Both water and sewer rate hikes would begin in the next fiscal year, 2014.

The suggested water rate hikes would be 8.5 percent in FY 2014 and FY 2015.

The suggested sewer rate hikes would be 14 percent in FY 2014 and FY 2015.

And here's where it gets interesting – those hikes to water rates would increase to 35 percent in FY 2016 before falling to additional hikes of 3.5 percent in FY 2017 and FY 2018; and facing the \$40-million in mandated wastewater treatment upgrades, town sewer rates would climb another 30 percent in FY 2016, before falling to the same 3.5 percent rate in FY 2017 and FY 2018.

Okay, let's take off our shoes and calculate the total rate increases over five years – 59 percent for water; and 65 percent for sewer.

Real numbers

Okay, that sounds horrible; but working from the 3,000 gallon per month average residential usage that would raise a residential water-sewer bill from \$21 to around \$34 per month. For larger households using 5,000 gallons a month, that would increase an average monthly bill from \$56 to around \$90. – Perhaps a bitter, but likely non-fatal pill to swallow for average households.

In fact, in response to a question about why Woodstock's rates were so much higher – water/sewer at 3,000 gallons per month currently at \$63

monthly and at 5,000 gallons monthly, \$98 – it was explained Woodstock had already implemented its new rates on the mandated upgrades and other infrastructure expenses.

Welcome to the future and reality, sports (and municipal utility) fans.

The Dominion variable

But hold on kids, I forgot the REALLY GOOD NEWS – the impact of water and sewer use of town water-sewer by Dominion's gas-fired, billion-dollar power plant currently under construction in the county's northside 522 corridor.

If as projected, the Dominion power plant comes on line in 2016 and is tied into the town's water-sewer system all the backside increases (after FY 2015) disappear – almost.

The sewer rate hike for FY 2016 would decrease from 30 percent to 14 percent before disappearing entirely.

The water hikes would disappear a year earlier than the sewer hikes, falling to zero in FY 2016 after the two 8.5 percent hikes.

That reduces the total water rate hike from 59 percent to 17 percent;

and the sewer rate hike from 65 percent to 42 percent.

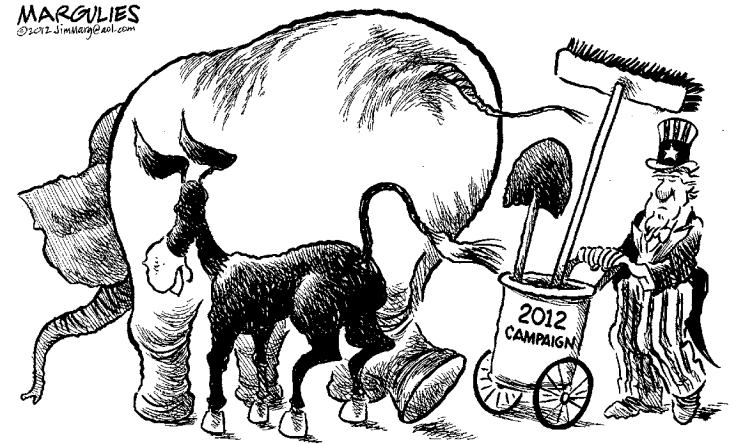
HOORAY Dominion!!!

But not so fast sports fans.

Burton continues to present the "without Dominion" variable in its rate studies even though the plant is under construction and scheduled to come on line to send additional power to the eastern urban corridor in 2016. Is it possible Dominion might not tie into the town water-sewer system???

Town Manager Steve Burke assured us that to his knowledge that is not on the table and that the "without Dominion" scenario is simply included to account for any situation in which Dominion might delay or abandon construction of the power plant due to unforeseen economic variables (what could that be? – the total collapse of U.S. and Western economies under the weight of the systematic destruction of the world middle class; or perhaps all-out war in the Middle East launched by nuclear-armed Israel against non-nuclear Iran, perhaps around December 2012 or so? Nah, I'm just getting paranoid again.)

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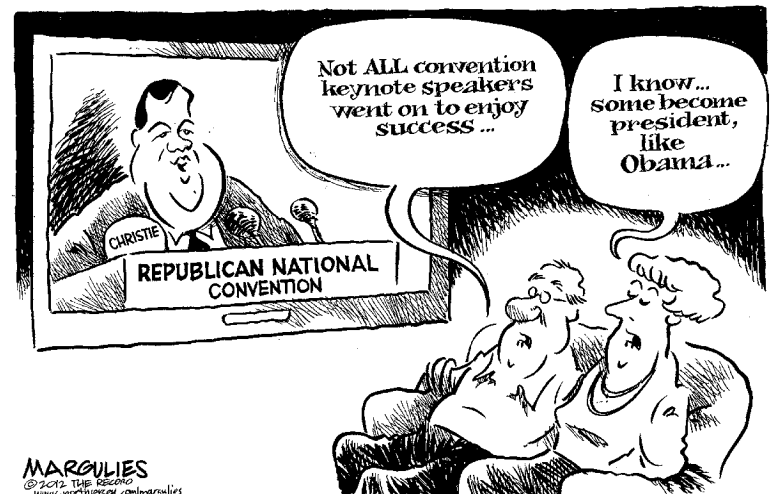


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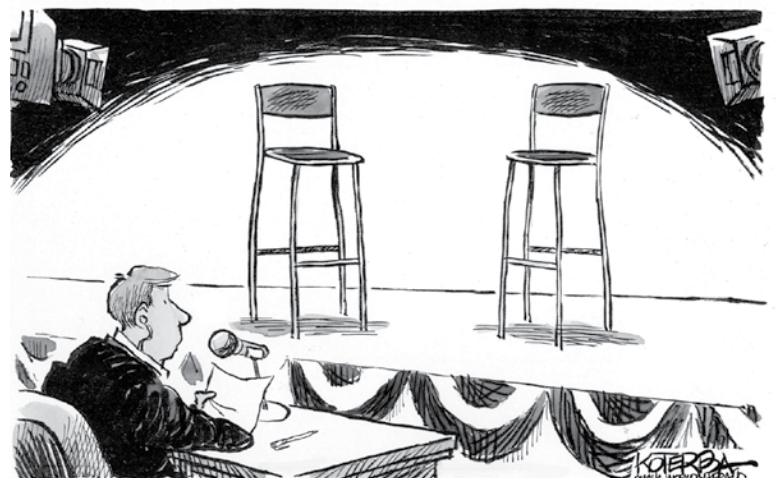
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