



April 20, 2018

Mr. Edward Bean
Director of Finance
City Hall
93 Highland Avenue
Somerville, MA 02143

Re: **Recommended Water and Sewer Rates for FY2019**

Dear Mr. Bean:

Woodard & Curran recently completed a full review of the City's Water and Sewer Enterprise performance for FY2017 and FY2018 year-to-date. In short, the utilities' financial performance continues to track the operating results projected in the original rate study (attached). Given the results of this review, it is our professional opinion that the rate recommendations derived from the rate study completed in 2015 remain appropriate and that the projected rate increases recommended in that study will generate revenues sufficient to fully fund operations of the water and sewer utilities for FY2019.

Specifically, we recommend no increase in water volumetric charges, a 5% increase in sewer volumetric charges (all tiers), and maintenance of the current water and sewer base charges. The recommended tier volumetric charges are shown on the Table below.

Tier	FY2019 Volumetric charges (\$/unit)	
	Water	Sewer
1	\$4.14	\$8.20
2	\$5.97	\$10.46
3	\$6.26	\$10.97
4	\$6.50	\$11.36

Woodard & Curran also recommends the institution of fire suppression charges for customers with sprinkler systems (and other piped fire suppression systems) directly connected to the City's water mains through un-metered connections. The cost allocation completed as part of the original rate study recommended a table of annual charges which is presented to the right.

Fire suppression charges are increasingly common amongst US water utilities and help to ensure that the average rate-payer is not subsidizing the higher level of service being received by this subset of the water customer base. A full description of the rationale for these charges is laid out on page 8 of the original rate recommendation memo (attached).

Recommended Annual Fire Suppression Charges

Fire Suppression Line Size (in)	AWWA 1" Capacity Equivalent Factors	Recommended Annual Charge
0.75	1	\$124
1	1	\$124
1.25	1.4	\$174
1.5	2	\$248
2	3.2	\$397
2.5	4.5	\$558
3	6	\$744
4	10	\$1,240
6	20	\$2,480
8	32	\$3,968
10	50	\$6,200



It is important to note that the overall revenue generation capacity of the original rate recommendation (which remains unchanged) assumes that the fire suppression charge is adopted as proposed. At proposed levels, the revenue which will be generated by this charge is equivalent to approximately 5% of the overall water utility revenue. If the City ultimately elects not to adopt a fire suppression charge at the levels recommended, we would expect that volumetric water rates in future years will need to be increased by approximately 6% to replace the expected revenue.

If you have any further questions concerning the rate study or our projection of expected revenues, please contact me at tfedder@woodardcurran.com or via cell at 603-817-7441.

Very truly yours,

Toby Fedder, P.E.
Vice President / Principal

Cc: John DeLuca, Somerville Water and Sewer Director
James Rivard, W&C