

**RFP 2017-08-01 WATER UTILITY RATE STUDY**  
**QUESTIONS TO ANSWERS POSED BY POTENTIAL BIDDERS**  
**AUGUST 29, 2016**

**1. Is the due date for submissions September 1 or September 30, 2016?**

The due date is noon on September 30, 2016. This RFP was supposed to be issued earlier, however it was delayed and the initial document that was issued showed both dates, as the due date was not updated in all places. The Town apologizes for any confusion this has caused.

**2. Given Study Requirement #8, can you provide the existing customer classes; i.e. the various rate payer groups?**

The text from the Town's resolution that adopted the FY17 water rates is below that provides the information requested:

**NOW, THEREFORE, BE IT RESOLVED** by the Mayor and Commissioners of the Town of North East, that commencing July 1, 2016 and continuing thereafter until properly modified, the rates for water service, connection fees, major facilities charges, benefit assessments, and other charges related to the supply of water by the Town of North East shall be as follows:

**I. WATER SERVICE CHARGES/RATES:**

(A) RESIDENTIAL, COMMERCIAL & MULTI-UNIT: IN TOWN \$39.05 FOR 5,000 GALLONS MINIMUM PLUS \$7.81 PER 1,000 GALLONS OVER MINIMUM. NOTE: MULTI-UNIT (BOTH IN AND OUT OF TOWN) IS CHARGED PER BUSINESS OR RESIDENTIAL UNIT SERVED REGARDLESS OF THE NUMBER OF METERS SERVING SAID UNITS.

(B) RESIDENTIAL, COMMERCIAL & MULTI-UNIT: OUT OF TOWN \$86.35 FOR 5,000 GALLONS MINIMUM PLUS \$17.27 PER 1,000 GALLONS OVER MINIMUM.

(C) ALL PROPERTIES WHO HAVE THEIR METER PULLED EITHER VOLUNTARILY OR FOR NON-PAYMENT WILL CONTINUE TO BE CHARGED A MINIMUM QUARTERLY BILL.

**II. READY-TO-SERVE CHARGES/RATES:**

THIS CHARGE IS IN ADDITION TO THE CURRENT CONNECTION FEE CHARGE/RATE AND MAJOR FACILITIES FEE CHARGE/RATE. THE READY-TO-SERVE CHARGE/RATE IS AN AMOUNT EQUAL TO ONE HALF OF THE ESTABLISHED WATER SERVICE CHARGE/RATE TIMES THE NUMBER OF UNITS PROPOSED TO BE SERVED OR THE EQUIVALENT RESIDENTIAL UNIT ("ERU"). FOR SUBDIVISION DEVELOPMENT AND SINGLE LOT PARCEL DEVELOPMENT, THE READY-TO-SERVE CHARGE/RATE WILL BE IN THE AMOUNT OF ONE

HALF OF THE STANDARD MINIMUM WATER SERVICE CHARGE/RATE FOR THE PROPERTY LOCATION, BASED UPON THE NUMBER OF UNITS. FOR COMMERCIAL, INDUSTRIAL, INSTITUTIONAL, MULTI-USE, MULTI-UNIT AND ANY OTHER DEVELOPMENT, THE READY-TO-SERVE CHARGE IN LIEU OF USER FEES WILL BE BASED UPON THE NUMBER OF EQUIVALENT RESIDENTIAL UNITS FOR THE ALLOCATION OF WATER.

AN EQUIVALENT RESIDENTIAL UNIT ("ERU") IS CALCULATED BY DIVIDING THE NUMBER OF GALLONS IN THE REQUESTED ALLOCATION, BY THE NUMBER OF GALLONS IN THE TOWN'S ESTABLISHED AVERAGE FOR RESIDENTIAL CONSUMPTION OF WATER. THE CURRENT AVERAGE FOR PURPOSES OF CALCULATING ALLOCATIONS FOR RESIDENTIAL DEVELOPMENT IS 250 GALLONS PER DAY PER UNIT.

### **III. BULK CHARGES/RATES:**

UPON REQUEST AND UPON AVAILABILITY WATER WILL BE SOLD FROM THE PLANT(S) AT A BULK CHARGE RATE BASIS FROM TIME TO TIME AT A RATE OF \$39.05 PER 1,000 GALLONS.

### **IV. CONNECTION FEE CHARGES/RATES:**

IN TOWN AND OUT OF TOWN - FOR METERS UP TO ONE (1") INCH IN SIZE THE CONNECTION FEE/CHARGE RATE IS \$2,500.00 FOR ALL CLASSIFICATIONS:-

### **V. MAJOR FACILITIES FEE CHARGES/RATES:**

IN TOWN AND OUT OF TOWN FOR ALL CLASSIFICATIONS IS \$3,500.00 TIMES THE NUMBER OF UNITS PROPOSED TO BE SERVED OR PER EQUIVALENT RESIDENTIAL UNIT ("ERU"), REGARDLESS OF THE NUMBER OF METERS.

### **VI. CLASSIFICATIONS**

FOR PURPOSES OF THIS MATTER CLASSIFICATIONS ARE CONSIDERED TO BE, BUT NOT LIMITED TO, COMMERCIAL, INDUSTRIAL, INSTITUTIONAL, MULTI USE, MULTI UNIT AND RESIDENTIAL.

### **VII. EQUIVALENT RESIDENTIAL UNIT ("ERU")**

FOR PURPOSES OF THIS MATTER AN "ERU" IS CALCULATED BY DIVIDING THE NUMBER OF GALLONS OF WATER ALLOCATED, BY THE NUMBER OF GALLONS IN THE TOWN'S ESTABLISHED AVERAGE FOR RESIDENTIAL CONSUMPTION OF WATER.

### **VIII. USAGE PER EQUIVALENT RESIDENTIAL UNIT (“ERU”)**

FOR PURPOSES OF THIS MATTER THE CURRENT AVERAGE FOR PURPOSES OF CALCULATING ALLOCATIONS FOR RESIDENTIAL DEVELOPMENT IS 250 GALLONS PER DAY PER UNIT.

- 3. I saw that your Out-of-Town rates were established by the Maryland Public Service Commission, are you anticipating the involvement of the PSC as part of this rate study?**

No. The town has received legal advice that the PSC does not have to approve any future changes in rates unless the County petitions the PSC to review the Town’s rates. With that being said, the Town would like the winning bidder to use the rationales/assumptions contained in the PSC’s previous order as part of this rate study in calculating potential rates for Out-of-Town customers in an attempt to prevent any objection by the County in setting the Out-of-Town rates.

- 4. I noticed in your financials and budget that the water fund makes significant contributions to the General Fund. Is there support for these transfers, such as a previous cost allocation study? I see overhead cost distribution as Study Objectives 2 and 3 but I am trying to understand if this will be a review of existing practices or a separate analysis.**

The Town does not technically “transfer” between the enterprise and general funds. Occasionally these funds will borrow cash from each other in order to pay bills as the Town uses a pooled cash account.

The Town’s administrative employees are shared between the general fund and the enterprise fund, their salaries are allocated to each fund based on an estimate of how much time an employee spends working for each fund. For example, the Utility Billing Clerk answers the phones and directs calls to all offices as well as collects payments for the enterprise and other funds. The salary for this position is allocated 5% to the general fund and 95% to the enterprise fund. While the Director of Planning’s salary is allocated 55% to the general fund and 45% to the enterprise fund as that position is responsible for overseeing the Town’s planning, zoning, and code enforcement functions as well as maintaining and issuing water service agreements, working on water standard specifications, and other water related duties. Salaries for employees who have no water related duties are completely charged to the general fund while employees who only work in the Water Department are charged completely to the enterprise fund.

Overhead costs for the operations of the Town Hall are allocated 70% to the general fund and 30% to the water fund. These costs include, property and public officials’ liability insurance, communications (telephone/internet service at Town Hall), utility bills, and office supplies.

The Town would be looking for independent assessment of salary allocations as well as a review of the 70/30 overhead allocation to ensure that the assumptions being used to charge these expenses to the enterprise fund reflect accurately the cost associated with operating the enterprise fund.

5. **Is there a cost point the Town needs to stay within for this study? I saw \$25,000 for “Prof Svcs – Rate Studies” in the 2017 budget.**

The Mayor and Commissioners have allocated up to \$25,000 for the completion of this rate study based on an estimate provided by the last contractor to perform a rate study for the Town when the Town went through the case with the PSC. That particular contractor has retired and will not be bidding on this contract.