



ADVISORY BOARD UPDATE

March 1998

The MWRA Advisory Board was created by the Legislature in the MWRA Enabling Act to represent the interests of MWRA service area communities. Its members include the chief elected official and a designee from each of the 60 cities and towns serviced by the MWRA, along with a member of the Metropolitan Area Planning Council, and six gubernatorial appointees representing various interests. The Advisory Board reviews and comments on MWRA capital and current expense budgets as well as MWRA practices and policies. The Advisory Board also appoints three members to the MWRA Board of Directors and serves as a liaison between the communities and the Authority.

1997 HIGHLIGHTS

Managing MWRA Spending

AB Fact The Advisory Board has reduced MWRA current expense budgets by \$160 million since FY89.

FY98 marked the fourth consecutive year that combined wholesale water and sewer rate increases were held below 5%. The MWRA proposed an FY98 Current Expense Budget (CEB) which would have resulted in an 8.9% increase. After the Advisory Board's mandated budget review, the Authority agreed to accept \$4.6 million in Advisory Board recommended reductions and cost adjustments to the proposed CEB. This brought the wholesale rate increase down to the final 4.7%.

During budget review, the MWRA Board of Directors initiated the development of a Management Study to ensure that the MWRA's operational practices reflect the most efficient and competitive industry standards. The Advisory Board has been actively involved in the newly formed Management Review Committee to ensure that ratepayer interests are served. The Authority, through the direction of the Management Review Committee, has hired a consultant to perform the study. A preliminary report is due on June 18, 1998.

In an effort to generate new ideas and strategies for rates management, the Advisory Board held a Rates Management Strategy Session in late October. Participants included Advisory Board members, MWRA staff, and representatives from the State Legislature and Executive Offices. The Advisory Board was successful in collecting several key ideas which will be utilized in efforts to manage MWRA rates.

State Assistance

The MWRA Advisory Board continues to advocate for rate relief from the Commonwealth of Massachusetts. A significant level of ratepayer assistance was secured in FY98 through the cooperative efforts of the Advisory Board, the MWRA, the Governor and the MWRA Legislative Caucus. The following is a list of accomplishments.

AB Fact MWRA has received a total of \$158 million in state debt service assistance.

Debt Service Assistance

The FY98 state budget included \$40.8 million in debt service assistance for the MWRA (including \$1.3 million for the MetroWest Tunnel). This marked the fifth consecutive year that the Commonwealth has provided rate relief through debt service assistance, for a total of \$158 million since 1993. Without this assistance, ratepayers would be faced with annual double-digit rate increases. Additionally, eighteen MWRA communities received nearly \$1.5 million for local infrastructure programs.

MetroWest Water Supply Tunnel

In response to the Authority's decision not to pursue MetroWest funding during the FY98 state budget process, the Advisory Board took action to ensure that the Authority made debt service assistance for the MetroWest Tunnel project a top priority. The MWRA Board of Directors subsequently voted to direct the Executive Director of the MWRA to work with the Advisory Board in actively pursuing state debt service assistance. Working cooperatively, the Advisory Board, the MWRA and the MWRA Caucus were able to amend the state budget to include the MetroWest Tunnel as an eligible

project for debt service assistance. Inclusion of this \$1.9 million in funding in the FY98 budget was a great victory for MWRA ratepayers and a crucial step in Advisory Board strategy to secure long-term assistance for the project.

0% Wastewater SRF

The state reaffirmed its commitment to 0% State Revolving Fund (SRF) loans by providing additional dollars in the budget to fund the loans in FY98. The language establishing the loans was included in a deficiency budget last year. The 0% SRF allows the Authority to repay wastewater loans to the state without paying interest, for savings of approximately \$3.9 million in FY98.

Clinton Wastewater Treatment Plant

For the third consecutive year, the state budget included \$500,000 for the Town of Clinton to partially compensate the MWRA for operating the Clinton Wastewater Treatment Plant. The Advisory Board continues to work to secure full funding for the operation of the plant.

Low Income Sewer and Water Assistance Program

The Low Income Sewer and Water Assistance Program has been continued into its second year with a \$2 million budget allocation. The Advisory Board worked successfully to amend legislation relative to the program to include all homeowners eligible for energy assistance and will continue to work for passage of the bill during the legislative session.

Drinking Water SRF

A state supplemental budget enacted in late August appropriated \$6 million to fund the state Drinking Water SRF program. Legislation must now be passed to establish and define the program.

Electricity Deregulation

AB Fact The Authority expects to save **\$1.9 million** in FY99 as a result of deregulation.

The Advisory Board has worked to ensure that the MWRA captures all opportunities for cost reductions in relation to the deregulation of the electric utility industry. The Advisory Board engaged in discussions with energy consultant Susan Tierney, to explore options for reducing electricity costs at the Authority. In addition, staff worked along with the MWRA and the MWRA Caucus in support of pro-ratepayer measures in the Electricity Deregulation Bill. Without special language, the Authority would have paid an additional \$1 million in the first year of deregulation. The final bill enacted this past November made cost saving options available to the Deer Island

Treatment Plant. The Authority expects to save approximately \$1.9 million in FY99 as a result of deregulation. Future annual savings are also expected.

Federal Funding

AB Fact Special federal grants to the Boston Harbor Project now total **\$823 million**.

Federal funding for the Boston Harbor Project (BHP) totaled \$50 million for FY98. Although the fate of BHP funding was uncertain during budget debate, the strong commitment of the Massachusetts Congressional Delegation and the support of the Clinton Administration were effective in securing this level of funding. This appropriation brings total federal funding for the Boston Harbor Project to \$823 million.

Flow Averaging

AB Fact FY99 flow data shows a wide range of changes from the previous year, from one community with a decrease of 12.2% to one with an increase of 10.1% (a variance of 22 percentage points).

The Advisory Board has voted to implement flow averaging for calculating community sewer charges. Flow averaging will smooth out the peaks and valleys experienced by communities which occur due to weather fluctuations. Although this concept has been discussed in the past, it was approved this year because members agreed to begin the averaging in the out-years where flow data is not yet known. In order to implement this system as soon as possible, two-year flow averaging will commence in Fiscal Year 2001, using calendar year 1998 and 1999 flow data. Three-year flow averaging will be implemented in Fiscal Year 2002, using calendar years 1998, 1999 and 2000 flow data, and will be used thereafter.

Norumbega Covered Storage

The Advisory Board has worked with the MWRA over the past several years to ensure that the most cost effective alternative for covered storage at the Norumbega Reservoir is pursued. In a cost-benefit analysis, required by language in the FY95 state budget, the Advisory Board determined that the Authority's plan for construction of the storage tank using a portion of Weston conservation land was the most appropriate alternative for the community, the environment, the water system and ratepayers. Although the MWRA was successful in negotiating an agreement to obtain the land with the Weston Board of Selectmen, the Conservation Commission, and Weston Forest and Trails Association, the agreement did not receive the necessary

two-thirds majority vote of Town Meeting. It was therefore necessary to pursue acquisition of the land through legislative approval. Thanks to the cooperative efforts of the Advisory Board, MWRA and MWRA Legislative Caucus, legislation was passed in November which transferred the land to MWRA with the agreed upon compensation. In addition to the land transfer, the legislation included language which will allow the MWRA to procure design and construction for the project under one contract, a measure which is expected to reduce both time and costs.

System Expansion

The new MWRA System Expansion/Straddle Policy was implemented in March 1997. The policy has already been applied for sewer connections to homes in Dover. For each connection, an entrance fee was charged and the owner was required to pay the receiving community for an equivalent amount of inflow/infiltration removal.

Water Contracts

After much discussion and debate, the Advisory Board voted on two separate occasions to supply water to communities at costs lower than prevailing rate. The first instance was with the City of Cambridge. Cambridge is building a new \$50 million treatment plant on the site of the existing plant and will require use of MWRA water for 2½ years. The Advisory Board agreed to allow the MWRA to supply water during this period at a rate which

will not include debt service costs, \$731 per million gallons for FY98. The second instance involved the Chicopee Valley Aqueduct (CVA) communities. The communities of Wilbraham, Chicopee and South Hadley currently have contracts for water at a cost substantially lower than prevailing rate which will expire over the next few years. Since the water delivered to these communities is taken directly from the Quabbin Reservoir, the Advisory Board voted to direct MWRA staff to develop a separate cost center for the CVA communities. The new rate will cover all the costs to the MWRA for water treatment and delivery, and will increase CVA charges from \$40 per million gallons to a projected \$705 per million gallons in FY99.

MWRA Board of Directors/Advisory Board Leadership

Andrew Pappastergion, former Chairman of the MWRA Advisory Board, was elected to replace Charles Lyons as an Advisory Board appointee on the MWRA Board of Directors. Mr. Lyons resigned after eleven years of service on the Board. Joseph Foti was elected to replace Mr. Pappastergion as Chairman of the Advisory Board.

In addition, the Advisory Board was successful in securing the passage of legislation which changes the terms for Advisory Board appointees to the MWRA Board of Directors from two years to three with staggered expiration dates. This change will ensure continuity of Advisory Board representation on the Board of Directors.

STRATEGY FOR 1998

Regulatory Issues

The MWRA faces several DEP and EPA regulatory decisions in the coming year which will greatly impact planned spending. The MWRA is seeking approval for its final Combined Sewer Overflow (CSO) Control Program which recommends a capital investment of \$481 million for sewer separation, interceptor relief, upgrading of existing CSO storage and treatment facilities, and new screening and disinfection facilities. The Advisory Board will work to ensure that the scope of this project remains environmentally and economically sound, especially as it relates to the Charles River. The Authority must also obtain a NPDES permit in order to operate the new outfall pipe, which is scheduled to go on line by the end of 1998. The Advisory Board is working to guard against excessive monitoring requirements. In addition, decisions concerning drinking water treatment facilities will be at the forefront of debate.

Filtration Waiver Application

The Advisory Board is firmly committed to only building the level of water treatment that is necessary to achieve Safe Drinking Water Act (SDWA) standards and supports making a decision concerning water treatment options in October 1998, after research and data collection is complete. With the support and encouragement of the Advisory Board and Water Supply Citizens Advisory Committee, the MWRA submitted a filtration waiver application for the Wachusett Reservoir. Massachusetts DEP has agreed to give the Authority until October 1998 to show that filtration is not needed for Wachusett Reservoir water which will be treated at the proposed Walnut Hill Water Treatment Plant. However, U.S. EPA announced its decision to require MWRA to construct a filtration plant. The Advisory Board has serious concerns

about EPA's decision and will work to bring the agencies together to reach a reasonable solution. To this end, the Advisory Board recently hosted a forum which was attended by approximately eighty people and brought EPA, DEP and MWRA together to discuss the issue.

The Authority is working to comply with SDWA standards in an environmentally sound and cost-effective manner. Ongoing improvements include aggressive watershed protection, lead and copper corrosion control, replacement of open reservoirs with covered storage, construction of a \$270 million treatment plant, and MWRA and community transmission system rehabilitation. The Advisory Board believes that these improvements should be given a chance to improve water quality before a decision on filtration is made. Construction of a filtration plant would cost ratepayers approximately \$205 million. Such a large capital expenditure will make it much more difficult for communities to invest in local improvements.

State Assistance

The Advisory Board is advocating for the inclusion of several pro-ratepayer measures in the FY99 State Budget. The Advisory Board has requested \$44.48 million for MWRA debt service assistance, including \$2.2 million for the MetroWest Water Supply Tunnel. In addition, the Advisory Board is pursuing funding for water and wastewater SRF loans, the Low Income Water and Sewer Assistance Program, and Clinton Wastewater Treatment Plant.

Rates Management Strategy

The Advisory Board will continue efforts to minimize rate increases through reductions to the current and capital budgets, and securing state and federal assistance. The Advisory Board has recommended \$76 million in reductions to the Authority's FY99-01 Capital Improvement Plan and is currently reviewing the FY99 Current Expense Budget. The Current Expense Budget proposes a 5.2% wholesale rate increase for FY99. The Advisory Board will work to limit the FY99 rate increase and to smooth out future rates

Changes to Low Income Assistance Program

The Advisory Board will continue to work for the passage of legislation to expand the Low Income Sewer and Water Assistance Program to include all homeowners who are eligible for energy assistance. The Advisory Board began to work to change the program after several members

expressed concern that communities that work to lower rates through the use of their general fund were not eligible for the program.

Drinking Water SRF Program

AB Fact Nationwide SDWA need for the next 20 years amounts to \$138.4 billion.

The U.S. Environmental Protection Agency recently released a report which estimates that the nation's water systems must invest a minimum of \$138.4 billion over the next twenty years. Of this total, \$12.1 billion is needed to meet current Safe Drinking Water Act requirements. Although reauthorization of the Safe Drinking Water Act provides funding for the drinking water SRF program, the Commonwealth has yet to establish guidelines for administering the program. The Advisory Board will advocate for the appropriate level of matching funds and strive to ensure that MWRA receives the maximum benefit from the program.

1997/1998 Legislation

S.764 *An Act to Limit the Liability of the MWRA.* (Sen. Jacques) Ordered to a study by the Judiciary Committee.

S.1758 (formerly S.538) *An Act Relative to Assistance for Water and Sewer Rates for Low and Moderate Income Households.* (Sen. Tolman & Rep. DeLeo) Amended in the Housing and Urban Development Committee. Referred to Senate Ways and Means Committee.

H.2336 *An Act to Support the Infiltration/Inflow Financial Assistance Program and the Local Water Infrastructure Rehabilitation Assistance Program.* (Rep. DeLeo & Rep. Mariano) Discharged from the Natural Resources Committee to House Ways and Means.

H.2337 *An Act Relative to the Commonwealth Sewer Rate Relief Fund.* (Rep. DeLeo) Discharged from Natural Resources Committee to House Ways and Means. Partially enacted in FY98 state budget (\$41 million in debt service assistance for MWRA, MetroWest included as an eligible project).

H.2355 *An Act Relative to Advisory Board Appointees to the MWRA Board of Directors.* (Rep. Mariano) Enacted in FY98 state budget.

H.2356 *An Act to Improve the Supply and Delivery of Water to MWRA Ratepayers.* (Rep. Mariano) Ordered to a study by the Natural Resources Committee.

H. 3678 *An Act Relative to the MWRA Advisory Board (MDC Watershed Division oversight).* (Rep. Kaprielian) Received a favorable report from the Natural Resources Committee. Referred to House Ways and Means Committee.

H.3680 *An Act Relative to Certain Transactions by the MWRA (Lease/Leaseback).* (Rep. Paulsen) Received a favorable report from the Natural Resources Committee. Ordered to a Third Reading in the House on 8/14/97.

