

## Notes on Costs and Rates for Gateway Expansion Project

Included in the packet for the 8/30/21 Water and Sewer Commission meeting are several documents related to the costs and rates for the Gateway Expansion Project. There are documents related to costs and rates for the following scenarios:

- Construction of Phase I
- Construction of Phases I and II
- Construction of Phases I, II, and III

### A few important notes about these documents:

- This study is based on current conditions in the Gateway. Any buildings which may be built in the future are not included in this study.
- The main takeaways for each scenario, mainly bond payback and estimated rates, are contained in the first two sheets of each packet. The rest of the sheets in each packet are the backup for how the estimated rates and bond payback schedule were arrived at.
- The documents that study the rates have two column headings “FY22 GATE Sewer” and “FY22 Sewer” The “FY22 GATE Sewer” rates are the rates that would be paid by all users on the system if the phases of the Gateway expansion for that scenario were connected to the system.
- Rates and Bond Payback schedule are estimates based on the FY22 budget, current interest rates, estimated construction costs and more. Actual figures will vary.

There is one PDF document for each of the scenarios. Each PDF contains the following sheets. An explanation of each sheet is included.

- Bond Payback Schedule
  - This document details the cost per year to pay back the bond for each scenario. The cost included on the bond is the total estimated cost for that scenario. For instance, in the scenario where only Phases I and II are constructed, only costs to construct those phases are included in the bond payback schedule.
- Summary of Rate Changes
  - This sheet details the estimated FY22 rates for all users assuming the scenario was constructed and all buildings that currently exist in the phases included in the scenario connect to the public line. All other variables remained the same as FY22.
  - This does account for a slight increase in operational costs to serve the additional buildings.
  - In the scenarios where only Phase I or only Phase I and II are constructed the fixed rate for Commercial & Government actually increases.

- When rates are calculated each segment (residential, commercial & government, and school) covers a percentage of total costs based on their percentage of water and wastewater use.
  - The Expansion increases the amount of wastewater produced by Commercial buildings thus allocating more costs to be covered by these buildings.
  - The fixed costs increase because the total number of commercial units does not increase enough to spread fixed costs out more.
  - A solution to this could be shifting the percentage raised within Commercial & Government so more money is raised from metered costs than fixed costs. This could create a decrease in both rates with the effect being a shift in the commercial & government segment toward raising more funds through metered costs than through fixed costs.
- Sample FY22 Water and Sewer Rates
  - This is a three page document which details the calculations to arrive at rates.
- Estimated Flows
  - This sheet show the estimated flows for properties included in the phases for each scenario. The units and flow rates on this sheet are used when calculating sample rates.
- Estimated cost increases for Gateway Expansion
  - These costs are from the Preliminary Engineering Report. They are pro-rated for each scenario based on the percentage that each phase represents of the total flow from all three phases. This is used to estimate increased costs when calculating sample rates.
- The next sheet shows the percentage of the total flow in each scenario. This is used to calculate the percentage each scenario is responsible for in increased costs.
- The final sheet is the estimated bond payback schedule from the Vermont Bond Bank