

**MERRIMACK VILLAGE DISTRICT  
BOARD OF COMMISSIONERS  
APRIL 20, 2021  
MEETING MINUTES  
(approved May 17, 2021)**

A work session of the Board of Commissioners was conducted on April 20, 2021 at 4:04 p.m. at 2 Greens Pond Road, Merrimack, NH.

Chairman, Donald Provencher presided electronically:

Members of the Board present:       Wolfram von Schoen, Vice Chairman (electronic participation)  
  John Lyons, Finance Liaison (electronic participation)

Members of the Board Absent:       Paul McLaughlin  
  Kenneth Ayers

Also in Attendance:                   Ron Miner, Superintendent  
  Jill Lavoie, Business Manager  
  Michele Holton, Finance/H.R. Director  
  Amy Doucette, Customer Service/Billing Representative  
  Kristen Maher, Sr. Accountant

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**REGULAR SESSION**

**1. Board of Commissioners to review and discuss rate modifications with Underwood Engineers, Inc. as proposed in their draft report.**

Keith Pratt informed the commissioners that the goal for this work session is to focus on the design of a conservation rate structure, the purpose of which is to look at whether it benefits in conserving water and as a tool to potentially increase revenue to cover the peak demand costs. Peak demand costs include purchasing water from Pennichuck Water Works (PWW). Pratt showed the commissioners an example of Portsmouth's tiered rate structure. Pratt explained that Portsmouth has a minimum meter service charge that is similar to MVD's. Portsmouth has a 20% increase in their rate design for consumption for their second tier, increasing from \$4.15 (for up to 1,000 cubic feet) to \$5. He noted that Portsmouth also has an irrigation meter charge. Pratt stated that conservation rates are typically and easily applied to homogeneous customer groups with identifiable peaking factors, such as residential.

Pratt explained that Underwood used the 2018 rate model which had rate recommendations and sample bills for 2019. For apples-to-apples comparison, Underwood made recommendations for rates in 2019, which MVD implemented. Underwood then took the same year and broke it into tiers to see how rates would change from the current set up, without changing the revenue. Underwood examined five different tiered rate structures. One example Underwood provided for a residential user decreased the quarterly bill by 2% in the lower tier and increased the bill by 8% in Tiered Rate Structure A. Tiered Rate Structure E has more substantial impacts, decreasing the bill by 17% in the lower tier and increasing it by 28% in the higher usage tier. Pratt stated that both Exeter and Portsmouth municipalities noted a minimal, 5-10%, reduction in consumption after implementing a tiered rate structure, and both reported it to be only temporary. Vice Chairman W. von Schoen noted that the goal was not to lower anyone's bill, as that would be unfair to those using irrigation. He stated that the baseline does not change, the goal is to discourage excessive irrigation and to make sure that irrigation customers are paying a larger portion of the buildout of the system and filtration plants because that is what is driving the peak capacity. Vice

Chairman W. von Schoen noted that he would not like to see a decrease for baseline use proportion of the bill. He does not feel as though irrigation users should subsidize the baseline usage for some customers. Pratt informed the commission that if the initial rate remains the same, with an increase then applied to the second tier, revenue will be increased, and it becomes more difficult to demonstrate the impact to each user class. He explained that this was just an example given, with as few variables as possible. Vice Chairman W. von Schoen stated that the goal is not to increase revenue, but rather to make it clear that irrigation users are increasing the need to cover peak consumption rates. All water that goes through the MVD distribution system needs to be filtered to non-detect PFAS and that filtration is costing the rate payers. The goal is to have those that triple and quadruple the water consumption in summer pay a larger portion of that cost increase over those who are using the water for personal consumption. Vice Chairman W. von Schoen reiterated that the goal is not to increase revenue.

Superintendent R. Miner asked Pratt if there was a way to offer a different rate for commercial properties and residential properties. Pratt answered that he believes there is a way to do this, but it is harder to establish the tiers in a fair and equal way amongst classes of users. Pratt stated that Underwood would like to keep this simple, noting that rates for different classes starts to get complex.

Pratt noted that MVD's monthly consumption is double in the summertime over that in the winter. Pratt informed the commissioners that a lot of the designs and recommendations being made are out of the industry examples from The American Water Works Association (AWWA). The AWWA recommends seasonal rates for consideration. This would offer a winter rate and a summer rate, regardless of water usage or class. Seasonal rates promote more water conservation. Another option is a drought surcharge when rate adjustments are tied to the national drought monitor. In this scenario, rates would change based on drought conditions. This situation is harder to bill, especially on quarterly billing such as the MVD. Chairman D. Provencher asked if there was a way to offer tiered rate structure only in the summer. Billing Representative Amy Doucette answered that it would present a major challenge from a billing standpoint. Business Manager J. Lavoie also noted that based on the staggered billing cycles, some customers would have all three peak months on one bill whereas others would have it divided. Pratt informed the commissioners that monthly billing is being suggested for use with any of these recommendations. Chairman D. Provencher stated that he feels monthly billing would be more accurate but would triple the billing services. Billing representative A. Doucette noted that the change to monthly billing is cumbersome, but beneficial. MVD is currently deciding between two companies to upgrade the billing system. Director Holton noted that it can take upwards of a year or two after the system is in place to convert customers to automated recurring ACH payments. Commissioner J. Lyons informed the commissioners that Pennichuck Water Works (PWW) offers billing services. Details weren't known and Director Holton noted that she could investigate that option further. Pratt stated that monthly billing is beneficial if the end goal is water conservation. Commissioner J. Lyons asked if it would be easier to continue quarterly billing, but to move to matching quarters rather than staggered quarters. Billing Representative A. Doucette stated that creates almost the same amount of work as a monthly billing cycle. Vice Chairman W. von Schoen stated his belief that tiered billing will be harder to defend if MVD has not switched to a monthly billing process. Director Holton asked if MVD is looking to go to a tiered structure on July 1, 2021. Chairman D. Provencher answered that he believed that to be the case. Commissioner J. Lyons asked how far away MVD is from switching to monthly billing. Director Holton noted that this was the first serious discussion about moving to monthly that she has been involved. Superintendent R. Miner suggested trying the tiered rate structure with the quarterly billing for a certain amount of time. Director Holton reminded the commissioners that the first payment for the treatment plants is estimated to be due in December 2023. Commissioner Lyons reminded the commissioners that the intention of the tiered rate structure is not to make budget, but to discourage irrigation and excess use. He stated that if excess funds come in during FY 2021-2022, the budget can be adjusted downward in FY 2022-2023. Vice Chairman W. von Schoen agreed. Chairman D. Provencher stated that he was under the

impression there would be a base rate increase, as well as a tier rate structure. He stated that he wanted additional revenue to apply towards new source capacity. Commissioner J. Lyons expressed his thoughts that there are a lot of expenses for MVD associated with the philosophy of penalizing households that use excess water.

Pratt informed the commissioners if they do not go to conservation rates, they will need to decide how best to deal with conservation watering bans and strategies in terms of rules and regulations. He stated it will cause challenges to move into a conservation rate structure and charge people more money for the use of water, and then to not have water to give because MVD has gone into conservation.

Superintendent R. Miner replied that he does not think it should be called a conservation rate, but rather a tiered rate, with continued odd-even watering. Superintendent R. Miner noted that it is important that MVD has the ability to restrict use to protect the aquifers if needed during a drought season. Business Manager J. Lavoie stated that she feels a generic, overall rate increase is better than a tiered rate. Billing Representative A. Doucette noted concerns of customers choosing to ignore the watering bans if they are paying extra for irrigation in a tiered rate structure.

In regard to a flat rate increase, Billing Representative A. Doucette mentioned those who struggled monetarily with the previous rate increase, or those who are elderly or disabled, and asked if there was a discount that could be applied. Pratt answered that there would be the need for an abatement program to make that work. The program would be based on financial need and is not unusual. Pratt noted that an abatement program is outside of the rate structure.

Superintendent R. Miner stated that he would like to see MVD move to a tiered rate structure while continuing with quarterly billing and reevaluate in time. Commissioner J. Lyons and Chairman D. Provencher agreed. Chairman D. Provencher asked if the meters could be read monthly while still billing quarterly. Billing Representative A. Doucette answered that it would be roughly the same amount of work as switching to monthly billing. Business Manager J. Lavoie asked when the tiered rate structure would start. Superintendent R. Miner answered that he was thinking it would start in July 2021.

Pratt stated that Underwood could evaluate the tiered rates, with a likely recommendation of a 3,000 cubic foot quarter, which is roughly 250 gallons per day, as a threshold as a starting place. Underwood will run this at the \$2.32 current rate with a 9% rate increase for the interim, and then establish what the small tier is for exceeding the threshold. Pratt explained that the 9% rate increase will cover the current budget needs, but it does not cover the future additional debt or the capital reserve funding that MVD has historically done. Director Holton informed the commission that NHDES will be sending an estimated loan payment schedule for the future debt. Pratt stated that if MVD were to keep the capital reserve contributions and funding to the same level as they have historically, the 9% rate increase should be closer to a 22% rate increase. This would result in roughly \$500,000 to contribute to capital reserves. Director Holton noted that the MVD has historically had annual contribution goals from \$500,000-\$1M into capital reserve funds per the Capital Improvement Plan. Pratt noted that this 22% rate increase would cover only the \$500,000 in capital reserve contributions and does not include the future additional debt. The original discussion (regarding rate increases needed for regular budget increases and the new treatment plants debt) was around a 79% rate increase (by FY 2021-2022), which Director Holton stated would still result in MVD rates being below the state average. Chairman D. Provencher stated that if MVD is leaning towards a 22% base rate increase, he would be inclined to lean towards an additional 10% tiered rate increase. Director Holton stated that there was a 19% rate increase in July of 2019. There was a rate increase of 7-8% slated for July 2020, which did not happen. Vice Chairman W. von Schoen noted that he would be more comfortable neglecting the capital reserve for a year in favor of smaller annual increases, rather than a large increase. Director Holton reminded the commissioners that the

treatments plants debt payments will start December 2023, and rate increases need to happen before then to accumulate the funds needed to issue the payments when due.

Superintendent R. Miner stated that the rate increase will be on the agenda for the May 2021 BOC meeting. Pratt noted that Underwood will evaluate the rate increase scenarios at 9% and 22% to show the commissioners the difference and establish a suggested tier. Vice Chairman W. von Schoen asked if there was a way to apply a different threshold for the commercial customers. Pratt answered that it would be more complicated, but it would be possible to look at meter size. Billing Representative A. Doucette informed the commissioners that every account in the system is coded as either residential, industrial or mercantile. She did note that it would be challenging to assign the tiers, with additional tiers needed to differentiate. Superintendent R. Miner asked Billing Representative A. Doucette to further investigate how MVD could implement different class rates. Pratt suggested starting small and adding an additional tier, to differentiate class, once more is learned from MVD's initial tiered rate structure. Director Holton stated that she would investigate the capabilities and flexibilities of the new systems MVD is considering. She also asked Pratt to run the rates out a few years, factoring in the future debt so MVD is aware of larger increases they may need in order to smooth out the stages of rate increases. Chairman D. Provencher requested that the price of media changeouts be considered in any future rate study. Pratt informed the commissioners that the contract does not include a scope of work that would detail out a rate model for 4-5 years out. That involves more work than adjusting conservation rates and establishing an interim rate. Chairman D. Provencher noted that he feels it would be worth detailing out a longer term rate model. Pratt noted that a comprehensive rate update is in the \$10,000 range. Pratt stated that moving to a 22% rate increase would keep the capital reserve funding whole, while meeting the current budget, but still being under the ultimate need for the overall rate increase. This does not include the future debt but does provide a middle ground for the needed rate increase. Director Holton added that the percentage of the increase is large, but the current base rate is very low, and will still be very reasonable despite the increase, still coming in below the state average. Vice Chairman W. von Schoen suggested beginning work on a notification flyer sooner rather than later. Superintendent R. Miner suggested a bulk mailing with information as well.

**ADJOURNMENT**

**MOTION BY COMMISSIONER J. LYONS TO ADJOURN  
MOTION SECONDED BY COMMISSIONER W. VON SCHOEN**

*A Viva Voce was conducted, which resulted as follows:*

Yea: Donald Provencher, Wolf von Schoen, John Lyons

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Nay:

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**MOTION CARRIED  
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The April 20, 2021 work session of the Board of Commissioners was adjourned at 6:17 p.m.

Submitted by Amanda McKenna, Recording Secretary