

**MANUFACTURING DEVELOPMENT COMMISSION
AUGUST 4, 2011**

CHESAPEAKE BAY TMDL & WASTEWATER RATES



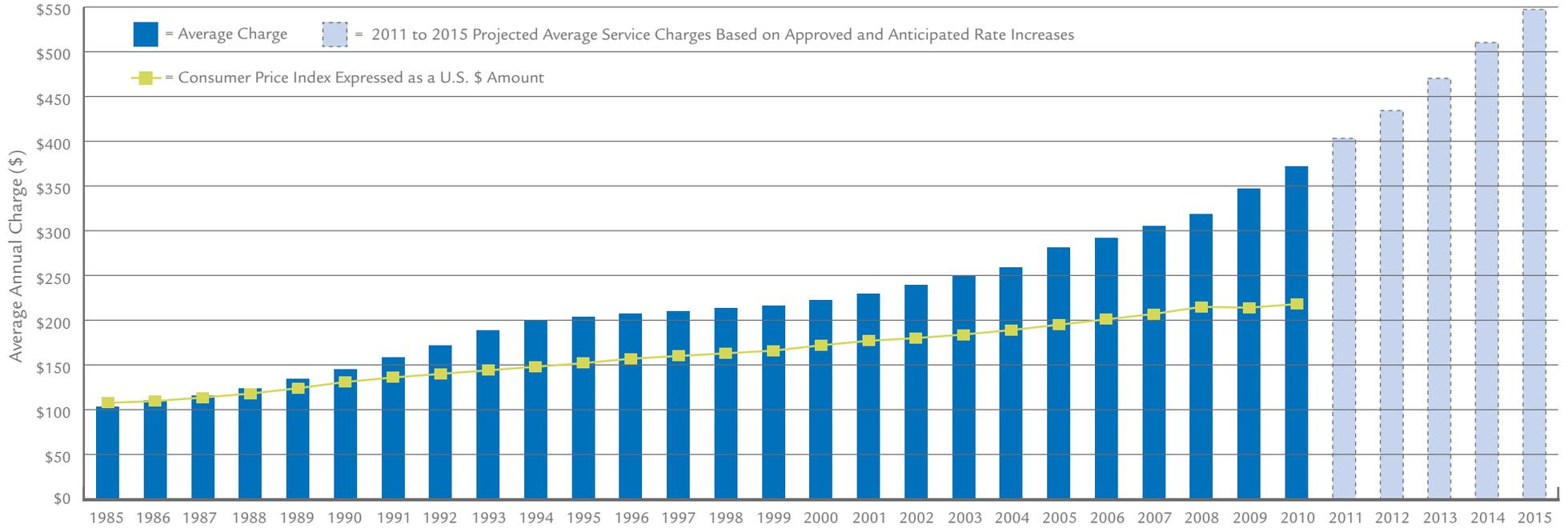
***PRESENTED BY
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Presentation Overview

- **Wastewater Rate Trends**
 - National: NACWA Sewer Service Index
 - Virginia: Draper Aden Associates 2010 Rate Report (<http://www.daa.com/publications/survey-reports.htm>)
- **Mitigating Bay TMDL Wastewater Rate Impacts**
 - WQIF Funding
 - James River Study
- **Cost Control Measures Emerging In Other States**
 - State “No More Stringent Than Federal” Laws
 - State Affordability Analysis Laws



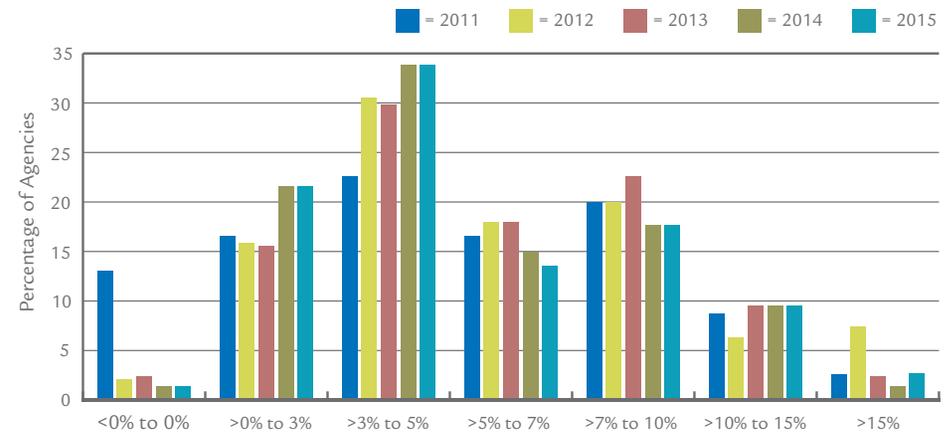
Average Annual Sewer Service Charge 1985-2010



Projected Rate Increases 2011-2015

	2011	2012	2013	2014	2015
Average Annual Increase (%)	6.5%	7.4%	7.4%	7.4%	6.5%
Average Service Charge (Projected \$)	401.81	434.19	470.91	510.13	547.44
Change from Previous Year (\$)	27.44	32.38	36.72	39.22	37.31
# of Total Responses	154	149	146	143	137
# of Responses with Numeric Estimates	105	95	83	73	64
Approved	59%	22%	17%	10%	5%
Planned	18%	43%	42%	42%	42%
No Change	14%	7%	3%	5%	7%
Uncertain	10%	28%	38%	43%	46%

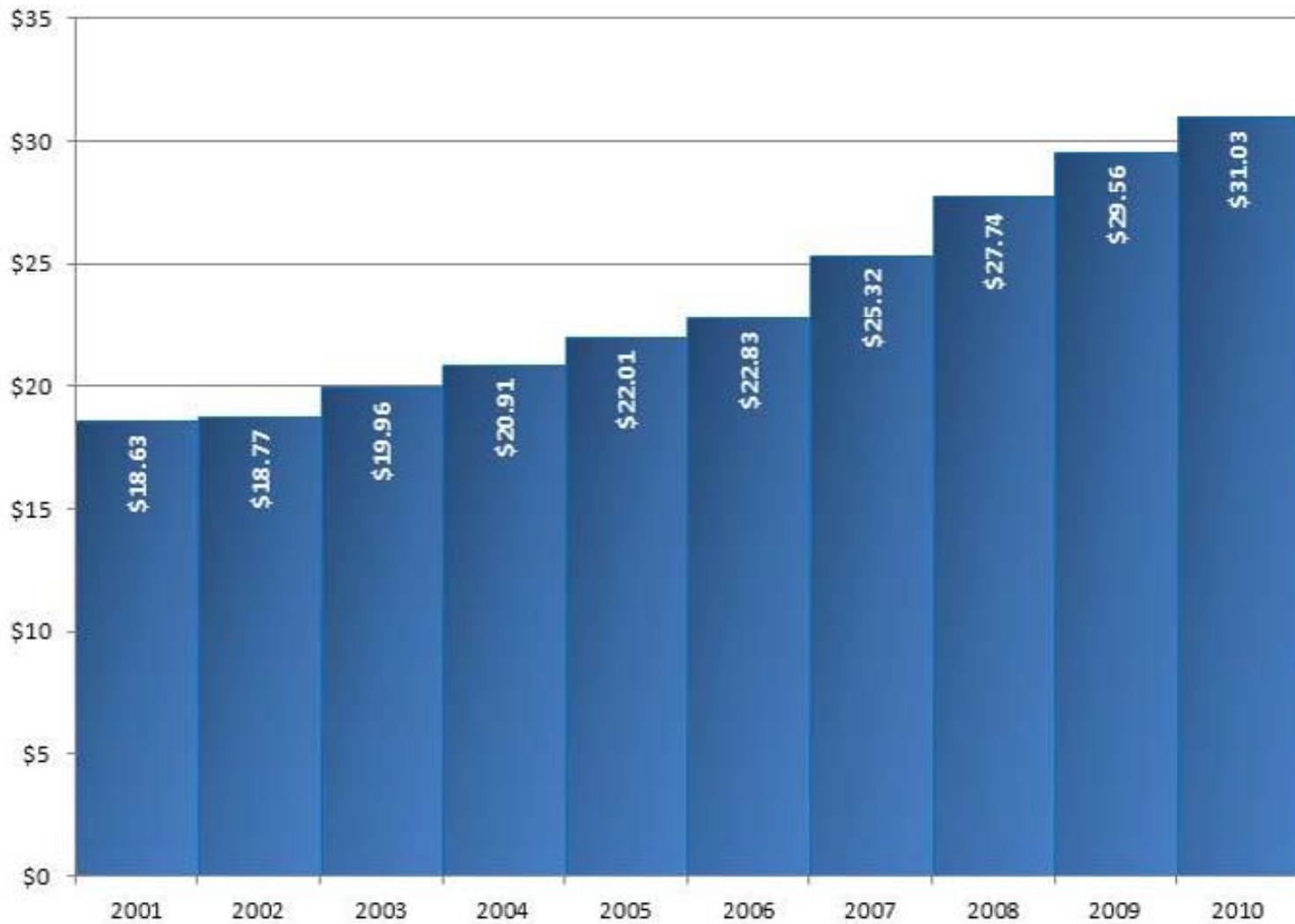
Distribution of Projected 2011-2015 Rate Increases



Note 3: All agencies in the <0% to 0% category reported no change in rates (0%).

Note 4: Agencies indicating planned or expected future rate changes, but providing no numeric estimates, are not shown in distribution above.

VIRGINIA WASTEWATER RATE TREND

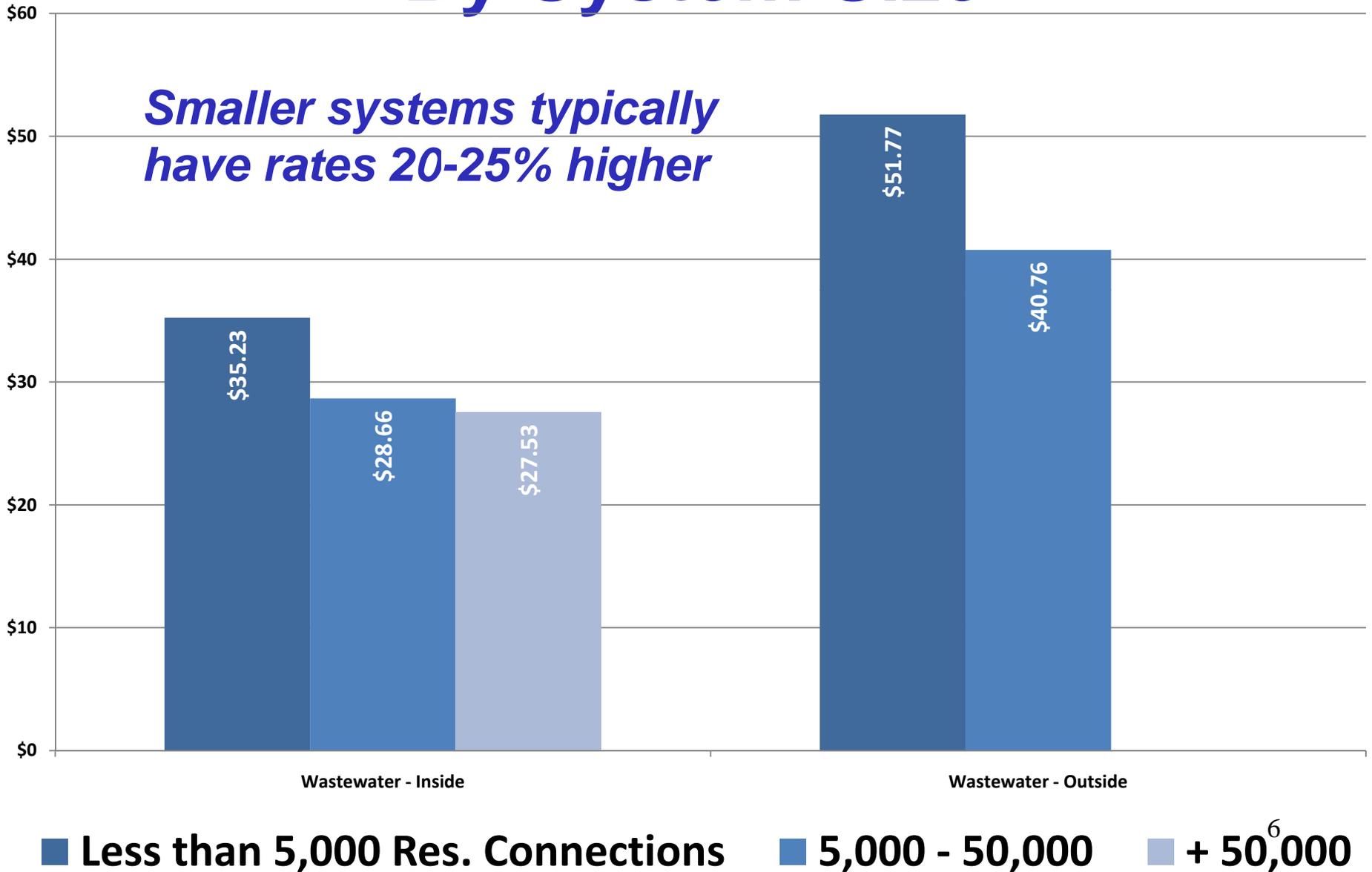


2010 Control Group Data- Wastewater Rates

Median Virginia Wastewater Rates

Wastewater Rate Summary	Replies	Ave.	Median
Residential Connections	162	10,312	1,638
Non-residential Connections	159	1,050	175
Monthly Residential Rate (In) per 5,000 gallons	171	\$33.40	\$32.00
Monthly Residential Rate (Out) per 5,000 gallons	71	\$49.78	\$44.25
Monthly B/C/I Rate <i>per 1 million gallons (In)</i>	157	\$5,542	\$5,098

Virginia Wastewater Rates By System Size



Virginia Wastewater Rates

- **Recent Trends**

- Since 2006, Draper Aden Study control group's rates are increasing at a faster rate than prior years
- Virginia wastewater utilities have invested ~\$1.5 to 2.0 Billion in Chesapeake Bay upgrades
- VAMWA members have widely reported significant rate increases to construct, operate & maintain these facilities

- **Other Major Cost Drivers for Local Utilities**

- Sanitary sewer system enforcement & rehabilitation
- Biosolids management (incineration & land application)
- Stormwater retrofits under Municipal Separate Storm Sewer System (MS4) discharge permits

Mitigating Wastewater Rate Impacts: Point Source WQIF Needs

- **Needs of Approximately \$300 MM**
 - \$100 MM Shortfall for Existing Grants
 - \$200 MM Estimated for Additional Upgrades Under TMDL
- **WQIF Funding**
 - Helps maintain lower, more competitive sewer rates for current users and future users (economic development)
 - Conversely, shortfall causes wastewater system owners to seek more debt and pass debt service costs on to users

Mitigating Wastewater Rate Impacts: James River Study Is Essential

- **TMDL model changes most impact the James**
 - For the 2010 Bay TMDL, EPA unilaterally changed its computer model and then reduced the 2005 nutrient limits, which previously had been approved for meeting the 2005 Site-Specific James River Chlorophyll Standard
- **Effect is to increase VA compliance costs significantly, but for little or no benefit**
 - Impact is estimated at an ***additional \$1 - \$2 Billion***
 - Technical advisors tell VAMWA that the public would not get a tangible water quality benefit for this additional expenditure (strong example of law of diminishing returns)

Cost Control Measures Emerging In Other States

- **“No More Stringent Than Federal” Laws (Various States)**
 - Virginia does not prohibit state water quality regulations more stringent than federal requirements
 - Instead, VA law requires Water Control Board to disclose & explain need to relevant General Assembly committees
 - Va. Code § 62.1-44.15(3a), (15)
- **Affordability / Economic Impact State Laws (KY, OH, MO)**
 - Require state agency to evaluate affordability and economic impacts on users when issuing regs or permits

KY: <http://www.lrc.ky.gov/Statrev/ACTS2010RS/0143.pdf>

OH: http://www.legislature.state.oh.us/bills.cfm?ID=129_SB_22

MO: <http://www.house.mo.gov/billsummary.aspx?bill=HB89&year=2011&code=R>

QUESTIONS?

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