2020 Water and Wastewater Utility Rate Statement

The Board of Trustees is the authority responsible for establishing rates structures, fees and charges to generate sufficient revenues to pay debt obligations, meet regulatory requirements and provide adequate funds to operate, maintain and repair these systems. The Board meets these obligations with fair and equitable rates.

Overview
Water and Wastewater Systems operate under regulation by ANR, Vermont Department of Environmental Conservation Drinking Water and Groundwater Protection Division. The state amended our water permit to require a compliance schedule for water improvements. Aged wastewater infrastructure required replacements, permits, and upgrades.

Rate requirements and fundamental considerations are listed below.

1. The Board used a Revenue Requirement Approach applied to new Rate Structures, which was necessitated by $4,267,000 in water improvements and $985,000 in wastewater improvements.
   a. The previous rate structures did not accommodate acceptable recovery of revenues. It was necessary for the Bond Bank, Director of Capital Planning, to receive a comprehensive review of the new rate structures, budgets and projected revenues.

   b. To receive bonds, the Board of Trustees provided resolutions supporting funds for Wastewater Improvements and a resolution for Drinking Water Improvements.

   c. The following statement is included in the resolutions to the Bond Bank. “The Board will implement the new rate structure, monitor revenue and increase the rates as needed to generate sufficient revenue to repay the bond and increased operating expenses.”

   d. New water rates were effective with September 2020 usage and October billing, and in January 2021, an annual 3% increase is effective, as well as each subsequent year.

   e. New wastewater rates are effective with May 2021 usage; June Billing, and in May 2022, an annual 3% increase is effective, as well as each subsequent year.
2. Water revenue requirements are achieved with full payment from 233 customers.
   a. $233,000: $106,000 bond payment plus $127,000 estimated expenses.
   b. 70% of revenue requirements are recovered in the fixed Service Charge.

3. Wastewater Revenue Requirements are achieved with full payment from 166 customers.
   a. $164,250: $66,250 plus $98,000 estimated expense.
   b. 79% of revenue requirements are recovered in the fixed Service Charge.

4. We recognize that recovery of debt incurred and expense applicable to a subset of customers that does not apply to another subset of customers requires a new rate structure that considers:
   a. Flow Capacity related to fire flow and sprinkler systems.
   b. Individual Infrastructure Requirements, such as: Fire Station Vault and Pressure Valve

5. We recognize that Village taxpayers in part defray the cost of water and wastewater systems.
   a. The Stowe Town Administrator questioned this since the Village taxpayers did not pay the bond debt and interest, and asked how taxes were used.

   Our responses:
   Taxpayer payment of the bond debt and interest makes a Regulatory Approach more necessary.

   The Village property tax rate of $.082 per $100 of property value for FY 2019 generated revenue of $33,413.

   1. General/Admin $7,913,
   2. Main St. Sidewalks (snow clearing & Maintenance) $16,857,
   3. Street Lights $4,477,
   4. Capital Outlays $7,500 (sidewalks).

   Village taxpayers paid for Main St. sidewalks/snow clearing/plowing and street lighting, without contribution from County or Town. Note: the state did not require the Village to build capacity for fire flow to the hydrant in front of the Courthouse.

As we know, more than 75% of Village taxes pay for public “main street” services and amenities used by the County and Town. While unrelated to the rates, it seemed appropriate to share.
6. Recognize that Village taxpayers take on the risk of debt associated with providing water and wastewater utility systems.

   a. The Stowe Town Administrator questioned this risk stating that we could simply raise rates with little risk.

   **Our response:**
   There is always risk with increasing rates, that risk is much greater for Village taxpayers due to the size of the debt relative to the small customer base of 233.

7. The new rate structures provide for collection of 70-79% of needed revenue in fixed charges, which was a condition for the bond to advance from underwriting to final approval.

8. Consumption charges are the same for all Classes and estimated to recover 20-30% of needed revenues.


The following information provides information about the rate structure.

**Recovery of Revenue Requirement, Results by Class**

**GP Class – 4 Customers**

*Governmental / Public - Federal, State, County and Town Providers of Global Services*

A GP Customer is currently billed a monthly Service Charge of **$1,417.50**.

- 10.4% of the sum of Service Charge billings to all customers.
- Equivalent to the sum of Service Fee billings to 70 Residential Customers.
- Fairness assumption: this customer offers **global service to 70 people**.

Elementary School Main Building
Lamoille County Court House
Lamoille County Sheriff’s Department
Town of Hyde Park, Fire Department
GP2 Class – 7 Customers  
*Governmental / Public 2 - GP defined class, Small Providers of Global Services*

A GP2 Customer is currently billed a monthly Service Charge of $125.55.
- .009% of the sum of Service Charge billings to all customer.
- Equivalent to the sum of Service Fees billings to 7 Residential Customers.
- Fairness assumption: this customer offers global service to 7 people.

Lanpher Memorial Library  
Opera House  
State of Vermont, 252 Main St. KenGar Building  
Sheriff’s Office Garage 203 Main St.  
Sheriff’s Office 65 Main St.  
St. Theresa Parish Hall 92 W. Main St.  
Second Congregational Church

C Class – 19 Customers  
*Commercial - Multifamily (3 or more) Apartment Buildings, Non-residential, Non-Industrial Business Enterprises*

A C Customer is currently billed a monthly Service Charge of $72.90.
.005% of the sum of Service Charge billings to all customers.

C2 Class – 1 Customer  
*Commercial 2 - C defined class, Out-of-Village Jurisdiction*

A C2 Customer is currently billed a monthly Service Charge of $125.55.
.009% of the sum of Service Charge billings to all customers.

R2 Class – 22 Customers  
*Residential 2 - R defined class, Out-of-Village Jurisdiction*

A R2 Customer is currently billed a monthly Service Charge of $32.40.
.002% of the sum of Service Charge billings to all customers.

R Class – 180 Customers  
*Residential - One-and two-Family Dwellings*

A R Customer is currently billed a monthly Service Charge of $20.25.
.001% of the sum of Service Charge billings to all customers.
Fairness Testing Using the Regulatory Approach

The current Revenue Requirements Approach results in each R Class and C Class customer paying a Service Fee that is less than an R2 and C2 Class customers.

Calculation: The annual reduction for each R Class customer is $145.80.
$145.80 X 180 total R customers = $26,244 plus $641.80 (there is one C2 Class customer) = $26,885.90, which is intended to:

- Recognize that Village taxpayers in part defray the cost of water and wastewater systems.
- Recognize that Village taxpayers take on the risk of debt associated with providing water and wastewater utility systems.

$26,885.90 equals .006% of capital investment less depreciation.

The Regulatory approach reduces taxpayer risk by increasing rates to G, G2, C2 and R2 customers. This option could generate $350,122, which is 8.02% of capital investment less depreciation.

The regulatory option for establishing rates provides security to taxpayers in the event rates do not provide sufficient revenue to meet financial obligations due to loss of customers and failure of customers to pay.

Rate of return revenues may be held in a contingency fund for use in the current or any subsequent fiscal year. While this statutory rule applies to Vermont electric and gas municipal utilities, it is reasonable to assume that this option is available to the Board of Trustees, who hold the authority to operate these utilities and establish water and wastewater rates.

Regulated Utility Rate-Making Approach

Revenue Requirements = Rate Base × Allowed Rate of Return + Expenses

- Rate Base (Capital Investment less Depreciation) $4,365,610
- Allowed Rate of Return (8.02%, which is the 2021 PUC approved rate for GMP)
  $4,365,610 × 8.02% = $350,122
- Operating Expenses in 2021: $121,000
- $350,122 + 121,000 = $471,122
- $471,122 less $233,000 revenue requirements provide a return of $244,122
GUIDANCE FROM THE VERMONT BOND BANK TO THE BOARD OF TRUSTEES

Things to think about when evaluating the rate structure:

- **No free water**
- Regardless of how the necessary revenue is divied up, keep in mind:
  - Base charge (aka meter charge) revenue should cover the fixed expenses. Fixed expenses include capital costs, debt, personnel, essentially any expense that does not rely on the amount of water produced. This will be a challenge because most VT system’s budgets are 80-90% fixed and this results in a relatively high base charge and a very small variable charge. But this should insulate a community if a large water user reduces their water use or leaves.
  - Variable charge (aka flow charge) revenue should cover the variable expenses, which include electricity, chemicals, testing, etc. I strongly discourage a declining block rate.
- There is no ‘right’ way to develop a rate structure. Make sure it is sustainable, equitable and defensible.
  - Sustainable in that the amount of revenue generated covers what is necessary to pay O&M, debt service, and plan for future needs (reserves and emergencies).
  - Equitable in that everybody pays but consider those that have a greater impact in the demands of the system (large users, manufacturers, specialty users that need a certain quality/quantity of water, etc.) and those connections that benefit a population outside of the user base pay their ‘fair share’ (it is up to the community to determine ‘fair’). For example, schools benefit a population outside of the Village user base, so could (arguably, should) pay a relatively higher rate. Similarly, other government buildings/functions (libraries, fire houses, etc.) benefit the greater population. Their equitable share of the expenses could be higher as the costs are spread over a larger paying base (larger town/state taxpayers).
  - Defendable in that the Trustees can explain their rationale in how the rate structure was developed and why.
- Keep in mind, not every user will be happy, but the goal is for the community at large to be considered and not to punish (or benefit) one customer/customer class.
The Financial Sustainability and Rates Dashboards are tools designed and produced by the Environmental Finance Center as part of projects to annually survey and analyze rates data from different states. Rates data are collected from nearly all local governments (and sometimes investor-owned) utilities in many of these states.

In addition, we have also created a dashboard for dozens of utilities throughout Canada.

Finance Dashboards

Funded By: Multiple Funders
Program: Drinking Water and Wastewater

The Financial Sustainability and Rates Dashboards are tools designed and produced by the Environmental Finance Center as part of projects to annually survey and analyze rates data from different states. Rates data are collected from nearly all local governments (and sometimes investor-owned) utilities in many of these states.
# Barnstable Fire District - Water

Rates shown in this document

<table>
<thead>
<tr>
<th>Rate Sheet Components</th>
<th>&quot;Inside&quot; town limits rate structure</th>
<th>&quot;Outside&quot; town limits rate structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water - Indoors</td>
<td>Residential rate structure</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Commercial rate structure</td>
<td>Same as residential</td>
</tr>
<tr>
<td>Water - Outdoors (Irrigation)</td>
<td>Residential rate structure</td>
<td>Same as indoors</td>
</tr>
<tr>
<td></td>
<td>Commercial rate structure</td>
<td>Same as indoors</td>
</tr>
<tr>
<td>Wastewater</td>
<td>Residential rate structure</td>
<td>No wastewater service</td>
</tr>
<tr>
<td></td>
<td>Commercial rate structure</td>
<td>No wastewater service</td>
</tr>
</tbody>
</table>

In addition, are there unique rates for the following (not shown in this document)?

- Multi-family residential rates: No
- Industrial rates (not commercial): No
- **Institutional/governmental rates**: No
- Bulk or wholesale rates: No
- Fire/hydrant rates: No
- Water shortage rates (e.g.: drought surcharges): No
- Reuse/reclaim water rates: No
- Custom rates for an individual large-user customer: No

*See the next 2 pages for rate sheet information*
Utility Rate Sheet:

**Merrimack Village District - Water**

Utility: Merrimack Village District  
Rate Sheet Year: 2018  
Rates Last Changed: 7/1/2011

**Rates shown in this document**  
Note: "Commercial" rates may also be applicable to other non-residential users.

<table>
<thead>
<tr>
<th>Rate Sheet Components</th>
<th>&quot;Inside&quot; town limits rate structure</th>
<th>&quot;Outside&quot; town limits rate structure</th>
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</thead>
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<tr>
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</tr>
<tr>
<td></td>
<td>Commercial rate structure</td>
<td>Same as inside</td>
</tr>
<tr>
<td>Water - Outdoors</td>
<td>Residential rate structure</td>
<td>Same as indoors</td>
</tr>
<tr>
<td>(Irrigation)</td>
<td>Commercial rate structure</td>
<td>Same as indoors</td>
</tr>
<tr>
<td>Wastewater</td>
<td>Residential rate structure</td>
<td>No wastewater service</td>
</tr>
<tr>
<td></td>
<td>Commercial rate structure</td>
<td>No wastewater service</td>
</tr>
</tbody>
</table>

In addition, are there unique rates for the following (not shown in this document)?

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- Bulk or wholesale rates: No
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- Water shortage rates (e.g.: drought surcharges): No
- Reuse/reclaim water rates: No
- Custom rates for an individual large-user customer: No

See the next page for rate sheet information
The Differences in Water Rates of Municipal and Investor-Owned Utilities in California

Christian L. Aldinger, CPA

NARUC
2011 Winter Committee Meeting
February 14, 2011
Washington, D.C.
Determination of Revenue Requirements

AWWA M1 – “Water Rates” identifies two generally accepted and practiced approaches . . .

- **Utility Approach**
  - Typically used by IOUs

- **Cash-Needs Approach**
  - Typically used by GOUs
  - Occasionally used by IOUs for repayment of governmental loans
Cash Needs Approach

• Results in rates that are intended to recover the cash required for that year
  ▪ Matches the cash received from the customer to the cash needs of the utility and not necessarily to the service received by the customer (cash basis)
  ▪ True costs or expenses (on an accrual basis) may be under or over-recovered for that year
  ▪ Can send improper price signal
Utility Approach

• Matches the cost of service provided to the appropriate time frame when the customer is receiving service (accrual basis)

• Costs or expenses (on a cash basis) may be under or over-recorded for that year

• Results in rates that are based on cost of service

• Includes the return on the accumulated amounts that have been invested in the system
Water Revenue Sufficiency Analysis and Rate Study

Town of Telluride, Colorado

Project No. 111076

Final Report
11/8/2018
3.0 PROPOSED RATE DESIGN

3.1 Approach

For the purpose of this Study, the water rate structure currently in place for the Town will not change in 2019, and proposed 2019 rates will increase proportionately based on the proposed 30 percent system adjustment reflected in both Alternatives 1 and 2.

3.2 Proposed 2019 Water Rates

Table 3-1 shows the proposed In-Town water rates. Out-of-Town water rates are 125 percent of In-Town rates. Additionally, certain Out-of-Town areas include a debt service surcharge as an additional component of their base fee which does not change as a result of this Study.

Table 3-1: Proposed 2019 Water Rates

<table>
<thead>
<tr>
<th>Rate Class</th>
<th>Meter Size</th>
<th>Water Usage Block</th>
<th>Charge per 1,000 Gallons</th>
<th>Charge per 5,000 gal</th>
<th>Charge per 1,000 Gallons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential - In Town</td>
<td>0 - 8</td>
<td>$77.04</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>8 - 12</td>
<td>$7.44</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>12 - 15</td>
<td>$8.44</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>15 - 100</td>
<td>$9.44 + $1.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>&gt;100</td>
<td>$25.47</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Size &amp; Deed Restricted</td>
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<td>$50.10</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>8 - 12</td>
<td>$7.44</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td></td>
<td>12 - 15</td>
<td>$8.44</td>
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</tr>
<tr>
<td></td>
<td>15 - 100</td>
<td>$9.44 + $1.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>&gt;100</td>
<td>$25.47</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commercial</td>
<td>0 - 8</td>
<td>$164.23</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>8 - 12</td>
<td>$16.33</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>12 - 15</td>
<td>$16.33</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>15 - 100</td>
<td>$190.50</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>&gt;100</td>
<td>$8.01</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commercial</td>
<td>0 - 8</td>
<td>$393.69</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>8 - 12</td>
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<td>15 - 100</td>
<td>$393.69</td>
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<tr>
<td></td>
<td>&gt;100</td>
<td>$8.01</td>
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</tr>
<tr>
<td>Commercial</td>
<td>0 - 8</td>
<td>$656.25</td>
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<tr>
<td></td>
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<td></td>
<td>12 - 15</td>
<td>$48.15</td>
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<tr>
<td></td>
<td>&gt;100</td>
<td>$8.01</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Commercial</td>
<td>0 - 8</td>
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<td>-</td>
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</tr>
<tr>
<td></td>
<td>8 - 30</td>
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<tr>
<td></td>
<td>30 - 60</td>
<td>$72.16</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>60 - 120</td>
<td>$1,037.84</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>&gt;120</td>
<td>$8.01</td>
<td>-</td>
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</tr>
<tr>
<td>Commercial</td>
<td>0 - 8</td>
<td>$1,383.81</td>
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<tr>
<td></td>
<td>8 - 30</td>
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<td>-</td>
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<td></td>
<td>30 - 60</td>
<td>$96.18</td>
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<td></td>
<td>60 - 120</td>
<td>$1,383.81</td>
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<tr>
<td></td>
<td>&gt;120</td>
<td>$8.01</td>
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</tr>
</tbody>
</table>

In Town Residential Base Fees vary depending on whether the account is related to a size and deed restricted parcel. Volumetric fees are the same for all In Town Residential customers.

Out-of-Town Rates: All Out-of-Town customers will be charged rates of one hundred and twenty-five percent (125%) of the In-Town rates.

Out-of-Town Debt Support Surcharge: In addition, unless otherwise required by an ordinance or contract authorizing water service, or pre-existing annexation agreement, to Out-of-Town users there shall be imposed upon each Out-of-Town customer an annual service rate surcharge of One Hundred Ninety and 50/100 Dollars ($190.50) payable in six equal bi-monthly installments.

3.3 Typical Bills and Regional Comparison

A comparison of typical monthly water bills under existing and proposed rates is shown in Table 3-2. Typical bills are calculated for various Residential and Commercial customer profiles. As shown in Table 3-2, the monthly water bill for an average residential customer will increase $8.89 per month, while deed and size restricted monthly bills are anticipated to increase $5.78 per month.
Dear Hyde Park Trustees,

On behalf of the Stowe Selectboard I am writing to express their concerns with the recent Hyde Park Village water rate increases. We are an interested party because we pay county taxes. While an increase in rates is to be expected when taking out debt for system improvements, the cost for the system improvements appear to be disproportionately paid by governmental tax-exempt organizations through the revised rate structure.

It appears that the Lamoille County Court House and Sheriff’s Department use is equivalent to a typical single-family residence, yet the cost for these governmental buildings under the new water rate structure is disproportionately higher and significantly so. While this may be politically expedient to pass along cost to non-voters it gives pause at best to demonstrating rate equity. We ask you to voluntarily revisit the rate structure at your earliest possible convenance.

Respectfully,

Charles Safford,
Stowe Town Manager

Cc: Assistant Side Judges

Village of Hyde Park Response: This statement is untrue. It is proven to be untrue by considering the entire rate structure and rates applied nationwide. He should have known it is untrue and not made erroneous statements to the news. This statement is harmful to the reputation of the GM and the Board of Trustees and caused mental anguish - at this time.
November 4, 2020

Lamoille County Legislators
Lamoille County Selectboards
Lamoille County Town Administrators

Re: Impact of Village of Hyde Park Immense Increase in Utility Fees

Dear Lamoille County Legislators, Lamoille County Selectboard Members and Town Administrators:

As Lamoille County Assistant Judges, we are responsible for the County budget, which is driven primarily by the costs to maintain and operate the Lamoille County courthouse and the Sheriff’s office building. We are writing to alert you to a huge utility fee increase that the Village of Hyde Park has imposed on the County (and the Lamoille North Supervisory Union and School District) that will impact Lamoille County taxpayers.

Beginning with the October 2020 water bill, the Village has increased the County water meter fees from approximately $350/year to over $34,000/year (approximately a 10,000% increase). Starting with the May 2021 wastewater bill, the Village is increasing the County’s wastewater meter fees from $420/year to over $21,000/year (approximately a 5,000% increase).

Unless the fee schedule is immediately revised, Lamoille County will be paying about $55,000/year in water/wastewater meter fees to the Village of Hyde Park. It is important to note that the fee increase is not related to usage.

The one other entity on the Village water system that is receiving similar treatment is the Hyde Park Elementary School and the Lamoille North Supervisory Union and School District (LNSU/SD). They have one meter (while the County has two meters) and the LNSU/SD will see a fee increase for water/wastewater of approximately $27,000/year. In total, the Village has set water/wastewater fees that the taxpayers of Lamoille County and LNSU/SD pay by over $80,000 per year, for three (3) meters, unrelated to usage. These costs will be transferred directly to taxpayers. For example, the town of Stowe, which pays over half of the County taxes, will see a County tax increase of over $25,000.

The Assistant Judges, as fiduciaries of County funds and acting on behalf of the County, are contesting these unconscionable fee increases. The Assistant Judges will be addressing the Village of Hyde Park Board of Trustees at their November 11th board meeting, being held via Zoom at 7:00 pm. While the Trustees may have broad discretionary power in setting utility rates, it is the County’s position...
that the fee schedules that they have adopted are disproportionate, unreasonable, and unfair.

We are alerting you about the situation because it will have a direct effect on your budgets and, ultimately, Lamoille County taxpayers. These fee increases are substantial and will occur year after year, unless the County and stakeholders reach an equitable resolution with the Village Trustees. We are still hopeful that discussions with the Village will lead to a reasonable, proportionate fee schedule, without the County resorting to litigation. Any assistance that you can provide in these discussions is appreciated. Please join us at the Trustees' Zoom meeting on November 11th. Details for joining the Zoom meeting are contained on the Village of Hyde Park home page, which can be accessed at https://www.villageofhydepark.com.

Feel free to contact either Assistant Judges if you have any questions. Joel Page can be reached at 802-730-3181. Madeline Motta can be reached at 802-461-9387.

Sincerely,

Joel W. Page
Lamoille County Assistant Judge

Madeline M. Motta
Lamoille County Assistant Judge

cc: Deborah Clark, Business Manager
LNSU/SD
All taxpayers pay for public facilities, regardless of their use of these structures.

All taxpayers must pay a fair and equitable rate for the utility infrastructure that serves to provide these public facilities with continual safe drinking water, capacity for fire flow, working fire hydrants, wastewater removal, and compliance with regulatory regulations.

The Board of Trustees established fair and equitable rate structures and rates.

Inflammatory responses by public officials can only serve to negatively impact public perception, economic and business development in Hyde Park, as well as the knowledgeable, thoughtful, fair-minded and diligent members of the Board of Trustees, management and staff of the Village of Hyde Park.
The Stowe Administrator’s letter states:

“It appears that the Lamoille County Court House and Sheriff’s Department use is equivalent to a typical single-family residence, yet the cost for these governmental buildings under the new water rate structure is disproportionately higher and significantly so.” This statement was repeated by Joel Page in the November 11, 2020 meeting of the Board of Trustees.

**FAIR AND EQUITABLE RATES**

A typical single-family residence in the Village has the risk of the bond debt, pays taxes to part to defray the cost of providing for the water and wastewater utilities, requires less capacity to extinguish a fire at their residence and DOES NOT HAVE A DEDICATED FIRE HYDRANT in front of their home.

The fixed charge allocates revenue requirements to recover the cost of the bond debt and normal operating expenses. The cost for water consumption is the same for all customers.
The historic Lamoille County Courthouse was built in the early 1900's and is the centerpiece of the Village of Hyde Park. The Courthouse is on the Vermont and National Historic Registers. By 2012, the building was inadequate to meet the needs of the community. SAS Architects was hired to expand and renovate the Courthouse and improve accessibility. After study, we recommended two additions that were harmonious with the character and scale of the historic building. The additions contain a second courtroom, administrative space, a detention facility with Salliptort, Judges' Suite and facilities for jury deliberation.

Check out some our design in-progress images:
The historic Lamoille County Courthouse was built in the early 1900's and is the centerpiece of the Village of Hyde Park. The Courthouse is on the Vermont and National Historic Registers. By 2012, the building was inadequate to meet the needs of the community. SAS Architects was hired to expand and renovate the Courthouse and improve accessibility. After study, we recommended two additions that were harmonious with the character and scale of the historic building. The additions contain a second courtroom, administrative space, a detention facility with Sallyport, Judges' Suite and facilities for jury deliberation.

Check out some our design in-progress images:

LOCATION: Hyde Park, Vermont

CLIENT: State of Vermont

BUDGET: $Budget

STATUS: Completed 2016

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Check out some our design in-progress images:

veteran senator on the finance committee, you have a little pull.

The project's cost estimate is $9 million, but the actual cost could come in under that. Engelberth Construction submitted the low bid for the job, $6.7 million. The $5.2 million in state money will be augmented by $1 million-plus from a previous appropriation, and by other state and local sources.

House Speaker Shap Smith and Sen. Rich Westman said Tuesday they were in near-daily discussions about the courthouse during the second half of this year's legislative session.

“I was invited many, many times to see what was needed,” Smith said of his talks with county officials. “And just in case I didn't get it, I was invited back again.”

What Utilities Charge Outside their Political Boundaries (i.e. “Outside Rates”)

All of the charges presented above refer to what utilities charge customers that live within their political boundaries. Municipal utilities often serve customers who live outside of city limits, and a handful of other utilities specify geographical boundaries within their service areas and identify their customers as residing “inside” and “outside” those boundaries. In many cases, utilities charge different rates for customers living inside or outside the boundary. Overall, 62% of water rate structures and 63% of wastewater rate structures specified different rates for customers living outside, and the vast majority were for municipal utilities. In fact, 83% of the municipal rate structures charged more for outside customers than for inside customers. At 5,000 gallons/month, water rate structures that charge outside customers a different rate are, at the median, charging a water bill that is 1.86 times more than inside customers. For wastewater, the median ratio is 1.94. Most utilities with different outside rates charged less than double the inside charges, as shown in Figure 27. Figure 28 shows median charges for combined residential water and wastewater service for all utilities that have a separate rate schedule for outside customers for both water and wastewater service. For utilities that charge for both water and wastewater and have outside rates, the median combined bill charged to inside customers for 5,000 gallons/month is $77.68 compared to $137.21 for outside customers.

There are at least three reasons why utilities might charge more for outside customers. Inside customers, as citizens of the local government that provides the utility service, bear more of the investment risks of owning and operating a utility. They also bear more of the burden of financing and facilitating its operations through their local government unit. In the case of municipalities, higher outside charges might be part of managing growth and annexation, or to make contributions alongside the property tax base that secures certain types of bonds and loans serving the entire water or wastewater system. For all utilities, outside customers are often more expensive to serve because of lower densities and the fact they reside farther, on average, from the water or wastewater treatment plant than inside customers, increasing costs for distribution and collection.

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Full-Cost Pricing

“Full-cost pricing” is the practice of setting rates at a level that generates sufficient revenues to cover all the capital and operating costs of providing water and wastewater services. Rates and fees determine the amount of income that will be generated for every unit of service provided. Full-cost pricing strives for economic efficiency: By reflecting the approximate economic value added to water through treatment, storage, and delivery directly to and from consumers, efficient pricing induces more efficient water usage. As such, full-cost pricing is one of EPA’s four pillars of sustainable infrastructure. Many systems, despite the financial and conservation benefits of economically efficient pricing, have historically underpriced water due to public pressure to keep rates low, lack of cost knowledge, deferral of investment, or reliance on state and federal funding.

Admittedly, designing rates to recover all costs, fixed and variable, is a complicated task. For most utilities, fixed costs by far exceed variable costs, particularly when debt service payments and other capital expenditures are included in the calculation. Approximately 80 percent of a water utility’s costs are fixed. However, about 80 percent of a utility’s revenue is generated from volumetric charges (i.e., based on amount used) for water or wastewater that has been treated, delivered, or discharged, which varies depending on individual customer needs. Thus, utilities face a mismatch between fixed expenses and variable revenues, a dichotomy that can create budgeting and management challenges over the long run.

At some level, because most expenses are fixed, utilities need a dependable source of revenue to cover them and provide financial stability. High fixed charges, though, can be regressive, resulting in higher unit costs for low-volume users, some of whom may be low-income customers. Typically, water users also expect to pay based on their usage, which can vary due to seasonality, economic conditions, conservation efforts, and more. Relying heavily on fixed charges also diminishes the efficacy of price signals to customers about the value of the water services provided. Some systems have sought to deal with this issue through revenue stability mechanisms. These separate the utility’s cost recovery from the amount of water it sells to recoup all fixed costs and ongoing infrastructure investment needs. This is accomplished through periodic rate adjustments designed to ensure that revenue is sufficient to cover costs regardless of sales volume, while still providing an incentive for efficient customer water use.
No particular rate structure is necessarily right or wrong. Each system must weigh various priorities in setting up a rate system that provides the revenue needed to sustainably operate, and from there consider various options to safeguard affordability for their lowest-income customers. In fact, many water systems are increasingly looking at ways to provide “lifeline” amounts of water to low-income customers. One option is for an initial block of consumption to be priced lower than the marginal cost of service to provide low-income customers the public health benefit of a minimum quantity of water needed for daily living. This is commonly referred to as a lifeline rate, charging a lower or subsidized rate for a fixed portion of monthly household water use considered to be nondiscretionary—for sanitation, cooking, and cleaning. In such a structure, low-income households can monitor their usage and avoid discretionary water uses, such as lawn watering, to cut down on costs.

The use of infrastructure surcharges is another way that rate structures can be responsive to affordability concerns. Infrastructure surcharges are small incremental charges added to customer bills in between major rate changes. These allow the utility to recoup investments in critical areas such as aging infrastructure replacement, resiliency, or water quality compliance on a more timely basis, while smoothing the impact on customer bills and preventing periodic rate shock.

Utilities implement new rate structures and assistance programs both out of concern for the welfare of low-income customers and their bottom line. In a survey by the American Water Works Association, 22 percent of respondents rated nonpayment of water bills a big problem. Among larger utilities responding (serving more than 100,000 people), about 33 percent considered nonpayment a big problem and 40 percent considered it a growing problem.

Rate structures and customer assistance programs (CAPs) are key to any strategy to address nonpayment, cure delinquent accounts, and prevent disconnections from the system, which carry considerable costs for both low-income households and utilities. Common programs include:

- Bill Discount: Utilities reduce a customer’s bill.
- Flexible Terms: Utilities adjust repayment to help customers afford services, e.g., by forgiving arrearages, adjusting bill payment timing, or leveling billing to a more predictable amount.
- Lifeline Rate: Customers pay a subsidized rate for a fixed amount of water expected to cover basic needs.
- Emergency Assistance: Utilities provide short-term or one-time assistance to prevent disconnection or restore disconnection following an unexpected hardship (e.g., medical emergency, job loss, death, or divorce).
- Conservation: Utilities subsidize or provide water efficiency measures aimed at reducing water use and therefore water costs, e.g., by fixing leaks, offering rebates for efficient fixtures and appliances, or conducting in-home water audits.
Expand Funding and Financing

Drinking water and wastewater systems are funded through a combination of service charges or user fees, federal and state grants, or, in some cases, local taxes. Funding is the source of repayment for loans or bonds issued to cover costs and capital investments. For many systems, capital improvement needs are too expensive on a pay-as-you-go basis, requiring financing, extra revenue, and proactive capital planning. For example, an analysis of wastewater systems in West Virginia found that many communities had documented needs more than four times annual revenues. It noted that, for those systems, setting aside even 10 percent of revenue every year for future capital costs would take 40 years to accumulate the savings needed just to address current needs.

Federal or state funding in addition to financing programs that lower the cost of capital with either low-interest or no-interest loans, guarantees, and other programs, all help to bring down the expense of needed infrastructure investments. Systems in the largest U.S. cities generally have the customer bases and credit ratings to independently secure low-interest bond financing, which may result in their exclusion from a state’s list of projects it plans to fund through either the Clean Water or Drinking Water SRFs.


13.20.030 - Service charges and rates.

A. Distribution and Customer Charges. The monthly distribution and customer charges shall be as follows:

Effective June 1, 2019:

<table>
<thead>
<tr>
<th>Customer Group Served</th>
<th>Meter Size</th>
<th>Distribution and Customer Charges Area A and Area B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Commercial/Institutional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential—Large MF</td>
<td>4&quot;</td>
<td>$594.93</td>
</tr>
<tr>
<td>Medium Commercial/Institutional</td>
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<tr>
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<tr>
<td>Large Commercial/Institutional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large Commercial/Institutional/Industrial</td>
<td>8&quot;</td>
<td>$1,494.41</td>
</tr>
</tbody>
</table>
Chapter 13.20 - WATER SERVICE AND RATES

Sections:

13.20.010 - Short title and purpose.

This chapter shall be known and designated as the "water rate ordinance" and the rates set forth herein for water and water service to be charged and collected by the water division of the city, and the terms and conditions of service applicable to, and to be enforced in respect of, the supplying of such water and water service, and the time and manner of payment therefore are hereby fixed and established.

(Ord. 5079 § 9 (part), 1972; Ord. 4583 § 1, 1962)

(Ord. No. 7223, § 2, 7-16-2012)

13.20.015 - Definitions.

A. "Department," as used in this chapter, means the Water and Power Department of the City of Pasadena.
§ 2923. Rate of return

(a) In determining rates charged by a municipal plant, the Public Utility Commission shall allow, in addition to all other factors, a reasonable rate of return on capital investments. The return shall be commensurate with that permitted private utilities having corresponding risks and equivalent to that necessary for private utilities to assure confidence in the financial integrity of the enterprise so as to maintain its credit and attract new capital.

(b) Revenue received as a return on capital investment shall be retained by the municipal utility and held in a contingent fund for use by it in that or any subsequent fiscal year. (Added 1973, No. 186 (Adj. Sess.), § 1, eff. March 30, 1974.)
Two methods for determining a water utility's total revenue requirements generally are accepted. The choice of approach tends to vary with ownership form. Under the "utility" approach, the total cost of service for investor-owned or privately-owned water utilities is the sum of operation and maintenance expenses, taxes, depreciation, and rate of return on rate base. Under the "cash-needs" approach, the total cost of service for publicly owned or municipally owned water utilities is the sum of operation and maintenance expenses, tax equivalents, debt-service payments (including both interest charges and repayment of principal), contributions to specified reserves, and capital expenditures not financed either by debt capital or contributions. The utility approach may be mandated for those publicly owned water utilities under state commission jurisdiction.

The National Regulatory Research Institute (NRRI) NRRI93-13

For the majority of water systems, the most significant financial impact of complying with regulations for chemical contaminants will be the costs associated with periodic monitoring to document their absence or presence in supplies at low concentrations.


It is important to recognize that the overwhelming majority of the capital cost of water supply is incurred in the effort to keep pressure in the pipes—in other words to provide the quantity attribute, rather than the quality attribute. It is primarily as a result of unseen assets—the pipes in the ground—that water supply has the highest asset to revenue ratio of any public utility service. Compliance with SDWA requirements will shift significantly more emphasis in capital spending towards the quality attribute (i.e., water treatment). Although quantity related expenditures will still predominate, the cost structure of the water industry will be forever changed in both.

The National Regulatory Research Institute (NRRI) NRRI93-13
Challenges In The Water Industry: The Rate Approval Process

It is fair to say that most Americans seldom give more than a passing thought to the value of the water that comes out of the faucets in their homes. Those who receive a bill from the local water utility – whether it is a municipal system or an investor-owned company – generally pay the bill without considering where the water comes from, or how it is treated and delivered to their homes. People who live in rentals or belong to homeowner associations may never see a bill at all, since water charges are often part of their monthly rent. But even when paid directly, the water bill is typically far less than the fees the cable company imposes for viewing “free” television programming, less than the cost of telephone service or high-speed internet access and, certainly, less than electricity.

In the U.S., the Environmental Protection Agency (EPA) sets the water quality standards that all water utilities must meet. However, for investor-owned water and wastewater companies, state economic regulatory agencies will generally regulate the price for the service provided by the water utility. In most communities, this regulation has resulted in permitting utilities to charge water rates equivalent to less than a penny per gallon.

The objective of this White Paper is to explain how investor-owned utilities make a case for rate adjustments, surmount hurdles to obtain permission to change rates, and benefit customers by operating in a highly regulated environment. For simplicity, although known by different names, this paper will refer to governing regulatory agencies as PUCs, short for Public Utility Commissions.

BACKGROUND

Water utilities were among America’s first publicly traded equities. The Manhattan Company – later to become the Chase Manhattan Bank – operated the first water system in New York City. In 1800 there were 16 water systems in the entire country, and 15 of them were investor-owned. By 1896, that number had
These and numerous other state and federal cases, as well as other state statutory provisions establish that shareholders are entitled to a fair return on invested capital for assets that are “used and useful” in providing service.

The rates eventually established by state PUCs should be sufficient to enable a well-run utility to earn a return that reflects the cost of providing service to its customers. The rates will cover the acquisition and maintenance of assets that are required to provide service, which include the operating costs plus a return from capital expenditures for plant equipment and other items that are “used and useful.” The utility is also subject to real estate and other business taxes, and shareholders must pay income taxes on the returns they receive. Therefore, in order to provide the opportunity to actually earn the return the PUC determines is appropriate, the PUC will typically include in the revenue requirement an amount sufficient to cover these taxes.

THE ROLE OF RISK

As the U.S. Supreme Court stated in the Bluefield case, a utility is entitled to earn a return comparable to investments in other business undertakings which are attended by similar risks and uncertainties. Estimation of risk, therefore, is a critical element for consideration in establishing a reasonable return. PUCs typically utilize a number of different methodologies for estimating risk and the appropriate allowed return. These methods may include Discounted Cash Flow (DCF) Analysis, Risk Positioning Models, such as the Risk Premium method and the Capital Asset Pricing Model (CAPM), or other comparable earning methodologies. Each of these methodologies will have variations and some of them utilize betas as an estimation of industry-wide risk. In estimating risk and determining allowed returns, PUCs will also look at the specific circumstances of each company, such as legal risks from potential tort claims, specific operating factors and the condition of infrastructure.

Risk factors will change over time and, to some extent, determine the frequency of rate case filings. Other factors that can influence risk assessments include inflation, market changes and new water quality standards.

THE TEST YEAR

PUCs typically set rates based on capital investment, operation and maintenance expense data from a particular period of time. Usually this data covers a 12-month period known as the Test Year. The PUC may utilize a historic, current, or future test year. Historic test years utilize actual expenses through a relevant period prior to filing the rate case. Current test years may use a combination of historic data and changes that occur either during the rate case or “known” and “measurable” data that occur right after the rate case. Future test years allow consideration of projected capital expenditures and expenses over some future period, usually 2-3 years.

In times of rising levels of infrastructure investment and expenses, use of historic test years can impact both the frequency of rate cases and the ability of the utility to actually earn the return the PUC allows because historic test years do not consider changes that occur during the rate case or thereafter. Therefore, more frequent rate cases are necessary to account for such changes. That is why, in practice, many PUCs often utilize some combination of historical, known and measurable and forecasted data. The effects of using less current information in test years can also be mitigated through the use of automatic adjustment mechanisms, surcharges for infrastructure replacement and special projects, and other ratemaking tools.
increased to nearly 3,200, and just under half were investor-owned systems. Today there are about 53,000 community water systems, and while 30,000 of these are investor-owned, they serve only about 15 percent of the population. The 23,000 governmentally-owned systems or individual private wells serve the remaining population which is always changing.

As regulated public utilities, investor-owned water companies have been granted authority by each state’s PUC to operate in a particular service area. Within these areas, the utility generally experiences some protection from the competition of other water service providers. In exchange, the utility must provide quality, reliable and non-discriminatory service to all customers in the service area. The utility is also entitled to the opportunity to earn a reasonable return on prudently invested capital necessary to provide service and to recover operating expenses.

Over the years what constitutes a “reasonable” or “allowed return” on “prudent and reasonable” investments has been extensively litigated. While there are significant issues specific to individual proceedings, settled law can be summarized as follows:

- Water utilities are permitted to charge rates that have the potential to generate an “allowed return” that is sufficient to attract capital at reasonable rates. A company is not “guaranteed” any return; whether it earns an allowed return depends on how efficiently the company is run and/or whether the PUC allows recovery of reasonable operating expenses and other factors. There is no regulatory “guarantee” that a poorly run company will earn its “allowed” rate of return.

- A company is entitled to the opportunity to earn a return only on invested capital that is prudent and reasonable as well as used and useful in providing service to customers. Like other investor-owned companies, a return of capital is made to a utility’s shareholders.

**WHAT IS A WATER RATE CASE?**

The process by which state regulators determine how much individual residents, commercial establishments and industrial customers will pay for their water service is known as a “rate case.” In order to comply with “due process” provisions of the U.S. and state constitutions, a system has been developed over the years giving a utility the right to present its rate case in a public forum. This process also gives consumers and other interested parties the right to challenge those requests. A schedule of public hearings is created that allows the public to participate in the process. The utility is required to support its requests by meeting certain evidentiary standards. During the hearing process, the utility is subject to cross examination and evidence presented in the proceeding can be challenged on a number of grounds.

The typical Water Rate Case process involves the following players:

- The utility

- The public, including individual consumers, consumer advocates, local government representatives, public interest groups and other interested parties

- The state public utility commission and its staff

During the process, requests for rate increases undergo an extremely thorough examination involving all of these entities. Rate requests are subject to tests and challenges at every step of the way.
INVESTED CAPITAL

A fundamental principle of establishing water rates is that the rates should be based on the actual or projected costs of providing service. Utilities have the right to recover prudent and reasonable operating expenses and, assuming an efficient operation, to earn a fair return on invested capital.

The amount of this return goes to the core of each rate case proceeding. Experts are called by both sides to testify as to what is fair and reasonable. Attorneys debate the applicability of prior rulings by the Supreme Court of the United States. In general, these high court decisions have established that the rate of return to the equity owner should be comparable to returns on investments in other enterprises having similar risks and that they are sufficient to maintain the utility’s credit and attract necessary capital at reasonable rates. A utility comes prepared to address issues, such as risk, as they pertain to the company. When all is said and done, the proceedings should establish rates that meet these constitutional standards.

The invested capital upon which the utility should be allowed the opportunity to earn a fair return generally consists of the depreciated original cost (book value) of the plant investment, also known as the “rate base.” The rate base decreases each year as a result of depreciation, however, yearly capital investments can also increase the rate base. Generally, rates do not change each year as a result of annual additions or reductions in the rate base. Rather, the rate base, revenue requirements and rates associated with it will be updated when the utility files for a rate increase. Exceptions to this process do exist, such as in states that allow surcharges outside the context of a general rate proceeding for replacement of aging infrastructure or for the investment necessary to comply with new water quality standards.

It is of interest that the process investor-owned utilities go through to establish rates is usually significantly different from the one a municipal or governmental water system experiences. In most states, government-owned water utilities generally set their own rates and do not have to go through a state PUC approval process. One result of this is that local politics often has a bearing on water rates. Political leaders are sometimes reluctant to increase rates as doing so may be unpopular with voters. Thus, needed but costly infrastructure repairs may be postponed or avoided in order to keep rates low. Meanwhile, state PUC regulation of investor-owned utilities helps promote necessary infrastructure investment, rehabilitation and/or replacement, and maintenance. It does so not only by enforcing the utility’s obligation to provide safe and reliable service, but also by setting rates that cover the costs of providing that service, including a fair return on invested capital.

DETERMINING THE RATE OF RETURN

In order to be consistent with provisions of the U.S. Constitution that prohibit confiscation of property without “due process” and fair compensation, the Supreme Court of the U.S. has established that utility shareholders are entitled to a fair return on prudently invested capital for assets that are “used and useful” in providing service to customers. The two primary U.S. Supreme Court cases that established this principle are Bluefield Water Works vs. the Public Service Commission of West Virginia (“Bluefield”) (1923), and the Federal Power Commission vs. Hope Natural Gas Company (1944).

In Bluefield, the Supreme Court stated that a regulated utility:

“…is entitled to such rates as will permit it to earn a return on the value of the property which it employs . . . equal to that generally being made . . . on investments in other business undertakings which are attended by corresponding risks and uncertainties.

...
CONCLUSION

The rate case process is designed to protect the interests of customers while at the same time allowing water utilities the opportunity to recover reasonable operating expenses and to earn a fair return on the invested capital necessary to provide reliable service to customers.

While it may often seem cumbersome and time consuming, the water rate case process remains one of the strongest assets of the investor-owned water utility. Established law provides that a well-run company should be able to obtain a reasonable rate of return on its invested capital and recovery of reasonable operating expenses. This gives investors the comfort of knowing that if the company delivers its product reliably and consistently, it offers a stable investment opportunity. The traditional regulatory structure provides that while utilities cannot choose whom they will serve in their franchise area, if they do a good job they should have the opportunity to earn a fair return on investment.
Water Affordability based on Income: The Tiered Assistance Program in Philadelphia
The program is funded by rate increases on those municipal water ratepayers not enrolled in TAP.
http://graham.umich.edu/media/pubs/Water-CS-Philadelphia-Tiered-Assistant-Program_0.pdf

Replacing the Nation’s Deteriorating Water Infrastructure While Maintaining Affordable Water Rates
Full-Cost Pricing: One suggested solution is the use of full-cost pricing. This requires utilities to become financially self-sustaining by increasing water rates until their revenues are sufficient to fund ongoing operations and maintenance needs while also meeting infrastructure upgrade costs. The EPA suggests increasing water rates at the rate of inflation plus 3 percent per year to eliminate any funding gap.
Vermont Bar Association

Seminar Materials

Year-in-Review: Municipal Law

September 19, 2014
Killington Grand Resort
Killington, VT

Faculty:
Brian Monaghan, Esq.
The Brownington Center Church appealed the Superior Court’s ruling that land and buildings owned by the Church were not exempt from property taxes for the 2009 tax year under 32 V.S.A. § 3832(2). Section 3832(2) excludes some real estate from the property tax exemption that religious institutions typically enjoy under Section 3802(4). Section 3832(2) allows taxation for real estate “owned or kept by a religious society other than a church edifice, a parsonage, the outbuildings of the church edifice or parsonage, a building used as a convent, school, orphanage, home, or hospital, land adjacent to any of the buildings named in this subsection, kept and used as a parking lot not used to produce income, lawn, playground, or garden, and the so-called glebe lands.” The Church argued that its property, primarily used for a summer camp, was exempt from taxation because the activities that occurred on the properties facilitated its religious ministry and that “worship and service “ takes place everywhere on the premises. The Church argued that the property buildings, cabins, and tent were all “church edifices” under Section 3832(2), and that the use of the property as a religious summer camp also qualified the property as a church edifice. The Supreme Court disagreed and affirmed the Superior Court, noting that the Superior Court did not unreasonably rely on New York precedent.

Demarest and Moulton v. Town of Underhill, 2013 VT 72 (September 27, 2013)

This case involved the Town of Underhill’s decision to convert a class four road into a legal trail. The Town mostly complied with the correct process for reclassifying the road, but failed to formally record the reclassification order in the land record. The Selectboard then adopted an ordinance stating that the trail was to be used for recreation. The Town stopped maintaining the trail, and it was eventually washed out. A neighboring landowner sued the Town, alleging that the reclassification was illegal and arguing that the Town should continue maintaining the road. The Town issued a formal reclassification, this time without the critical omission. The Court primarily relied on Ketchum v. Town of Dorset.
primarily that the Village should be estopped from assessing back water allocation charges. While Developer was able to demonstrate the Village should be estopped from taking away any water capacity, it did not obtain an estoppel as to the reservation charges.

The Supreme Court conducted the traditional analysis of the elements of estoppel, and determined that the Village was estopped from taking away any capacity, but that the Village was always entitled by its ordinances and applicable Vermont and federal law to impose and increase water and sewer rates. The rates in question included a 30% surcharge for “large users,” which the Court characterized as reasonable, because Developer failed to meet its burden to show that the surcharge was unreasonable. Particularly, Developer did not introduce any studies to show that the charge was unreasonable. The Court held the same for the Village’s water rates; holding that rate-setting bodies are entitled to considerable discretion in establishing water rates. Finally, while no statute in 24 V.S.A. Ch. 89 (Water Works) explicitly permits a municipality to revoke a water allocation, the authority to charge for unused reserved allocations impliedly authorizes the municipality to revoke for nonpayment.

**Rutland Herald v. City of Rutland and AFSCME Council 93, Local No. 1201, 2013 VT 98**

This case is a public records request involving the City of Rutland Police Department. The Rutland Herald sought information concerning employees who had allegedly accessed pornography at work, on work computers. The Court’s analysis was a caustic beat-down of the employees in their use of work computers: “the internal investigation records and related material will allow the public to gauge the police department's responsiveness to specific instances of misconduct; assess 'whether the agency is accountable to itself internally, whether it challenges its own assumptions regularly in a way designed to expose systemic infirmity in management oversight and control; the absence of which may result in patterns of inappropriate workplace conduct.'” The Court was not compelled by the City’s efforts to argue that the Court should balance the privacy interests of the officers against the public’s right to know: “This is not a personnel matter where the officers’ execution of duty is called into question or subject to disciplinary correction; it is instead a matter of a personal frolic entirely unrelated to the officers' jobs except for the coincidence that it occurred on public time with public property.”

The expectation of privacy, a concept that seems fluid and changeable over time, was a key driver for the Supreme Court. It found that the Superior Court decided that “the employees here had little expectation that their actions or identities would remain private when they viewed and sent pornography on public computers while on duty as public employees. These were not intimate details of a person's life. The court therefore found little, if any, privacy interest involved.”