

MEMORANDUM

TO : LULY MASSARO
COMMISSION CLERK

DATE: MAY 2, 2005

FROM : PAT DODD

SUBJECT : NARRAGANSETT BAY COMMISSION
DOCKET #3671 SEPTIC TARIFF CHANGE

On April 6 2005, Narragansett Bay Commission submitted a tariff advice change relating to septic tank waste discharge fees. The request is to reduce the septage tank waste discharge fee from \$51 per thousand gallons to \$42 per thousand gallons.

NBC, upon completion of an analysis of its pricing history for septage, and the pricing of its "competitors", determined that as NBC septage rates increased, usage and revenues declined. This is demonstrated in the table below, which was included as part of the tariff advice change filing:

	Est. Gallons	Septage Revenue	Rate/Thousand Gallons
FY 1999	17,819,060	\$445,476.50	\$25.00
FY 2000	23,134,280	\$578,357.00	\$25.00
FY 2001	17,728,194	\$599,231.60	\$35.00
FY 2002	17,077,020	\$597,695.70	\$35.00
FY 2003	13,876,873	\$610,582.40	\$44.00
FY 2004	10,446,454	\$532,769.13	\$51.00
FY 2005(Est.)	8,494,529	\$433,221.00	\$51.00

NBC believes, by reducing the septage tank waste discharge fee from \$51 per thousand gallons to the \$42 per thousand gallons it will generate additional volumes and revenues which would bring the level of septic revenues more in line with the revenues projected in its rate filing.

The Division reviewed the filing and submitted several data requests to Narragansett Bay Commission; the data requests along with NBC's responses are attached. Based upon our review the Division recommends that Narragansett Bay Commission be allowed to change the Septage Waste Discharge Fee Tariff to \$42 per thousand gallons.

1-1) By reference to "competitor" in page 2 of Mr. Pinault's filing letter, is he referring to other wastewater treatment facilities in the state or region? Can NBC and its competitors accept septic waste from other states?

The “competitors” refers to other wastewater treatment facilities in the state. Specifically, NBC surveyed the rates of six other facilities which accept septic waste: Burrillville, Woonsocket, East Providence, Warwick, Bristol and South Kingstown.

Woonsocket, NBC, Warwick and South Kingstown are regional facilities which accept septic waste from other Rhode Island communities. The other three facilities accept only their own community’s septic waste.

According to NBC’s Rules and Regulations for Pretreatment and Permitting, Article 14.2 “Septage discharged to the receiving facilities of the NBC must have been generated within boundaries of the state of Rhode Island.”

1-2) Do all wastewater treatment facilities typically accept septic waste?

Only those six wastewater treatment facilities identified in response to question 1-1 accept septic waste.

1-3) What did NBC find as a result of NBC's review of its competitors' pricing?

NBC found that NBC’s septage rate of \$51.00 was 17.7% higher than the average rate of the other regional facilities surveyed (see table below).

Septage Discharge Rates		
City/Town	Septage Discharge Rate (dollars per thousand gallons)	
Burrillville ¹	\$	53.50
Woonsocket		41.00
East Providence ¹		25.00
Warwick		47.00
Bristol ¹		25.00
South Kingstown		42.00
Average Regional Rate	\$	43.33
Current NBC Rate	\$	51.00
Difference	\$	7.67
		17.7%

¹ Only accepts septage from within the town

1-4) How did NBC determine that \$42.00 per thousand gallons was the appropriate price to generate additional revenues?

NBC examined historical septage revenue versus volume (see chart in the letter from Paul Pinault) and determined that volume decreased as the rate increased to \$44.00 and subsequently \$51.00. In addition, the average price charged by the other three regional facilities is \$43.33. NBC theorized that reducing rates to \$42.00 per thousand gallons would be more likely to generate revenues at levels closer to approved revenues.

1-5)) How does NBC plan to notify its former users or potential new users of its septic tank discharge service price reduction?

All septic discharges are required to be permitted by NBC. NBC plans to send all permitted and previously permitted users in the state a letter with notification of the price reduction. A sign would also be posted at the septage facility.