



ORANGE WATER AND SEWER AUTHORITY

*A public, non-profit agency providing water, sewer and reclaimed water services
to the Carrboro-Chapel Hill community.*

September 14, 2016

Mayor Lydia Lavelle
Town of Carrboro
301 West Main Street
Carrboro, NC 27510

Dear Mayor Lavelle:

We appreciate your invitation, which followed our August 19, 2016 report, to update the Board of Aldermen about our consideration of a possible change in our water rate for our multi-family, master-metered customers and on our work to develop and implement a Diversity and Inclusion Plan.

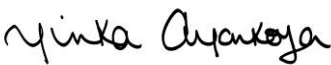
At our September 8, 2016 meeting, the OWASA Board scheduled a public hearing on Thursday, October 27, 2016 at 7:00 p.m. at Chapel Hill Town Hall to receive public comment on a proposed change in the water rate for multi-family, master-metered customers such as apartment and condominium neighborhoods. For multi-family properties served by a master meter, OWASA bills the property owner, rather than individual residences, for water and sewer services. Multi-family, master-metered customers now pay seasonal water rates, which are higher during the peak-demand months from May through September, and lower during the off-peak demand period from October through April. The proposed change is to a year-round, uniform water rate that will not fluctuate during the year. The attachment provides greater detail.

As you and other members of the Board of Aldermen know, the present seasonal rates have been a concern of some residents in master-metered neighborhoods. The proposal for a year-round, uniform water rate is intended to address some of their concerns.

The OWASA Board received and discussed a [draft Diversity and Inclusion Plan](#) prepared by our staff at our July 14, 2016 meeting. We have scheduled a Special Board Meeting on Thursday, November 3, 2016 at 6:00 p.m. in the OWASA Community Room to continue our discussions about this important work.

As is our practice, we will keep our customers and stakeholders informed about these important matters and we welcome your questions and feedback.

Sincerely,


Yinka Ayankoya
OWASA Board Member


Robert Morgan
OWASA Board Member

Attachment: OWASA Monthly Water and Sewer Rates Applicable for Multi-Family, Master-Metered Customers

c: Mr. David Andrews, Carrboro Town Manager
Chair Earl McKee, Orange County
Mayor Pam Hemminger, Town of Chapel Hill
Ms. Bonnie Hammersley, Orange County Manager
Mr. Roger L. Stancil, Chapel Hill Town Manager
OWASA Board of Directors
Ed Kerwin, OWASA Executive Director

OWASA Monthly Water and Sewer Rates Applicable to Multi-Family, Master-Metered Customers

September 14, 2016

Multi-family, master-metered (MFMM) customers are properties served by one (or more) meter(s) that serve(s) more than one residence or dwelling unit. Examples in OWASA's system include apartment complexes and some condominiums, duplexes, triplexes, etc. In our service area, there are approximately 600 MFMM properties with a total of about 12,800 dwelling units. About one-third of these MFMM locations have installed private sub-metering systems and use these systems to measure and re-bill each household's water use. Sub-meter reading and private billing is typically performed by a third-party service provider. Property owners and managers have told us that they are motivated to install and manage such a system because it reduces overall costs; residents see a direct link between their water use and their monthly bills. We estimate that this type of system is in-place for over 6,000 dwelling units and anticipate this number to increase in coming years.

On [September 8, 2016](#), OWASA's Board of Directors authorized staff to publicize information about a change the Board is considering to the way in which MFMM customers are charged for water service; no change to sewer charges is being considered. The current and proposed rate methods are shown below:

Commodity Charge	Current	Proposed
Water rate per 1,000 gallons (May-Sept.)	\$7.91	\$5.67
Water rate per 1,000 gallons (Oct.-Apr.)	\$4.16	
Sewer rate per 1,000 gallons (all year)	\$6.48	\$6.48

The proposed approach would have little to no impact on a customer's total annual water and sewer charges; it would merely provide for a consistent, year-round water commodity rate. In recent years, the transition to our higher "peak" seasonal rate has caused some concerns because many residents receiving private bills were not expecting the rate increase.

As background information, seasonal water rates also apply to businesses and other non-residential customers but we are not proposing a change in their rates. Our increasing block water rates apply to *individually-metered* residences such as traditional single-family homes and multi-family residences which have individual meters for each unit.

Reasons for Considering a Change

Through feedback from MFMM customers and their residents, we have learned that the current "seasonal" rate structure can lead to some unique challenges, especially for MFMM customers that sub-meter and privately bill water and sewer charges to residents. There is also justification for the proposed change from a "cost-of-service" standpoint since water use is fairly consistent throughout the year.

In July, we invited MFMM landlords and property managers from our service area to participate in focus groups. The topics of discussion in the focus groups were water use, water efficiency, and rates. Participants were asked to respond on what they liked and didn't like about various commodity charge structure alternatives. For complexes that sub-meter and re-bill, the seasonal rate change can lead to problems for them and residents. The property managers reported that when rates rise in May, there is a significant increase in false reports of leaks, which they believe contributes to tension and mistrust between the managing company and residents. Whether sub-metering and re-billing or not, participants in both focus groups reported that the seasonal rate structure complicates the budgets of households and property managers.

Another challenge can result from the twice-per-year change in price. The third-party service provider must change the rates they use for sub-meter billing each time our rates change. Some of the property managers that participated in the focus group reported that the service providers do not always make the rate change, which results in residents receiving incorrect bills.

We will soon begin efforts to get feedback from customers and other stakeholders on this proposal through various means including holding a public hearing at 7:00 P.M. on October 27, 2016 in Chapel Hill's Town Hall.