

CHELSEA ANNOUNCES SEWER SYSTEM AGREEMENT VOTE

January 18th, 2019

For immediate release:

The Chelsea City Council will vote Tuesday on a Wastewater Services, Rate Structure and Control Agreement with Shelby Ridge Utility Systems, LLC (SRUS), a subsidiary of Southwest Water Company (SWWC). SWWC purchased the SRUS system in April 2018. The vote will take place at the regularly scheduled City Council meeting on January 22nd, 2019. The agreement, if approved, will be effective immediately for a 10-year term with an option to renew.

The City of Chelsea has been concerned that current commercial sewer tap and line extension fees could hamper the city's Retail and Commercial growth and development. The citizens of Chelsea have also been dissatisfied with the monthly service fees and the rapid rate of increases between 2009 and 2016 implemented by the previous owner of the private sewer system.

The Chelsea City Council approved a Resolution on July 10th, 2018 authorizing Mayor Tony Picklesimer to proceed with potential condemnation of the Sewer System and to negotiate the purchase of the system from the new owners. The objective to purchase the sewer system was to provide essential, affordable service to its residents and to allow the city to grow commercially through reduced impact fees and line extension fees.

SWWC's Chief Operating Officer, Richard Rich reached out to Mayor Picklesimer in an attempt to reach an agreement and avoid the expensive legal costs to both parties associated with any condemnation action by the City. Mr. Rich stated "SWWC is looking forward to continuing to work with Mayor Picklesimer, the City, and the community to ensure the City of Chelsea continues to be a great place to live and foster economic growth for many years to come."

The agreement proposed will freeze utility rates of customers of the SRUS system through January 2021 (five years since the last rate increase in 2016), will limit future adjustments of the SRUS monthly fees and reservation fees to reasonable parameters, and will reduce the reservation fees for certain categories of future commercial customers. The agreement will also eliminate lateral service line extension fees up to 100 feet for all types of commercial business.

If approved, The City of Chelsea will enter into a settlement agreement with SRUS that ensures rates are reviewed annually and rate adjustments are supported using a return on equity calculation used by the Alabama Public Service Commission (PSC) to regulate other utilities. The PSC currently has no jurisdiction over private sewer systems of this size in Alabama.

This settlement agreement is the result of extensive efforts by both parties over several months. "By entering into the settlement agreement with SRUS, the City of Chelsea will be able to secure our objectives of ensuring the provision of cost-effective utility services for Chelsea's citizens and making Chelsea more attractive to incoming commercial or industrial customers," said Mayor Picklesimer.

Officials from SRUS including Richard Rich will attend the meeting Tuesday night.