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August 22, 2025

Mr. David McMahon  
Superintendent of Water & Sewer Authority  
Town of Watertown  
747 French Street  
Oakville, CT 06779

## Re: Confirmation and Summary of Debt Allocation Scenarios

Dear Mr. McMahon:

I am writing to confirm and summarize the financial calculations presented in the enclosed worksheet, which evaluates alternative approaches for allocating debt service of \$24 million (under three interest rate scenarios).

### Assumptions Overview

This analysis relies solely on the assumptions outlined in the worksheet supplied by the Town of Watertown. The assumptions have not been independently validated. Key assumptions include:

- Debt principal of \$30 million, reduced by a one-time \$6 million contribution from the Watertown Fire District (WFD), resulting in a net debt amount of \$24 million to be amortized over 20 years.
- Interest rates modeled at 3%, 4%, and 5%.
- A customer base of 4,300 accounts and annual water usage of 300 million gallons.

### Summary of Scenarios

Three cost allocation methods:

#### 1. Equal-Share Approach

Each account pays an equal share of annual debt service:

Interest Rate	Annual Cost
3%	\$375.35
4%	\$410.70
5%	\$447.91

#### 2. Usage-Based Approach

Costs are recovered based on individual water use:

Interest Rate	Cost per 1k Gal
3%	\$5.38
4%	\$5.89
5%	\$6.42

### 3. Hybrid Approach

Each account pays a fixed \$150 annual charge, with the remainder of costs recovered based on usage:

Interest Rate	Fixed Charge	Cost per 1k Gal
3%	\$150	\$3.23
4%	\$150	\$3.74
5%	\$150	\$4.27

### Annual Sample Water Bills

The following table illustrates annual sample bills for four representative user profiles under each approach, based on a 4% interest rate scenario:

User Type	Usage (gallons)	Equal-Share	Usage-Based	Hybrid
Low Residential	25,000	\$410.70	\$147.25	\$243.50
Avg Residential	50,000	\$410.70	\$294.50	\$337.00
High Residential	100,000	\$410.70	\$589.00	\$524.00
Small Business	500,000	\$410.70	\$2,945.00	\$2,020.00

The table illustrates how alternative cost allocation methods impact different customer types based on water usage and rate design.

### Disclaimer

This summary reflects the structure and results as calculated. Please note that all inputs and assumptions were provided by the Town and have not been independently validated or audited by NewGen.

Should you wish to explore refinements to the methodology, additional sensitivity testing, or validation of assumptions, I would be happy to assist further.

Sincerely,

NewGen Strategies and Solutions, LLC



Michael Maker  
Partner