

# 2014 PUBLIC WATER HEARING MASON COUNTY PUD #1

Proposed Rate Increase and Rate Equalization  
Plan

# Agenda

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1. Past History
2. PUD's current rate
3. PUD's proposed rate
4. PUD's proposed rate equalization plan
5. Questions

# Past History

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- The PUD started in the water business 60 years ago with one system (Union water System)
- In 1995, the PUD became the first water purveyor in the states history to take a system over from receivership. This receivership was for 5 systems that had dire health concerns and physical ruin. The main system was Hoodsport. The PUD replaced the entire Hoodsport system for \$2.9 million dollars. The PUD secured \$1.93 million in grants and \$963 thousand in low interest loans.

# Past History

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- Since that time, the PUD has taken over 30 water systems spread throughout the entire county. The PUD now has 1983 water customers which 99% are residential customers and small general service customers.
- Since 1995, the PUD has invested \$11,475,000 in capital improvements.
- Since 2004, the goal of the PUD was to consolidate the entire 35 water systems into one system. In 2013, the start of that goal was implemented in consolidation of the general funds.

# Past History

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- These are some of the projects the PUD has accomplished since 2009 –
  1. Madrona Beach system improvements – reservoir, transmission main replacement, source and service meters.
  2. Canal Mutual – distribution main replacement, new well, artesian well capping, treatment, service meters.
  3. Hood Canal – distribution main replacements, service meters, decommission wooden reservoir.
  4. Minerva terrace – treatment
  5. Island Hide-A-Way – looping project
  6. Bayshore – well capping
  7. Alderbrook – PRV removal Beach Drive
  8. Well house Rebuilds – Bloomfield, Cherry Park, Harstene Retreat, Mt View, Hoodsport/Suncrest Well, View Ridge Heights
  9. Well Enclosures – Twanoh Terrace, Vuecrest
  10. Telemetry repairs – Alderbrook, Hoodsport

# Past history

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11. Bladder Tank Installations – Agate beach, Cherry Park, Highland Park, Pirates Cove, Union, Viewcrest Beach
12. Electrical Upgrades – Union Ridge, View Ridge Heights, Hoodsport, Madrona Beach, Highland Park, Vuecrest, Union, Alderbrook
13. Booster Pump Replacements – Alderbrook all 3, Lakewood Heights, Union Ridge
14. Well Pump Replacements – Alderbrook 2 & 3, Cherry Park, Cushman Inc, Hood Canal A, Hoodsport, Union Ridge
15. Water System Plan A
16. Water System Plan B – 12 systems
17. Source Meters on all water Systems
18. Service Meters on several water systems

# PUD's Current Rate Structure

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## Metered Rate

First 400 Cu/Ft	\$32.11
401-1000 Cu/Ft	1.52 Per 100 Cu Ft
1001 Cu Ft - & Above	1.90 Per 100 Cu Ft

Flat Rate                      \$38.24

Average Consumption per customer is - 800  
Cu Ft.

The average monthly bill is - \$38.19

# Current Rate Structure

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- Here are other PUD's rate comparison for 800 Cu Ft –
  1. Mason PUD - \$38.19
  2. Jefferson PUD - \$38.17
  3. Thurston County PUD - \$45.97 + Tax Assessment
  4. Kitsap PUD - \$32.14 + Tax Assessment
  5. Snohomish PUD - \$44.27
  6. Skagit PUD - \$42.98
  7. City of Shelton - \$34.11 + LID Assessments
  8. Clallam County PUD - \$40.70

Capital Surcharges - Mason #1, Thurston PUD, Snohomish PUD, Skagit PUD, Clallam County



# Proposed Rate Structure

- The PUD goal is to consolidate all water systems into one rate structure. This includes capital surcharges. After analysis, it did not make financial sense to eliminate current capital surcharges as all but three will be eliminated from 2015-2021. By eliminating them, it would add \$10.32 a month per residential and small general service customer to all but a few systems.
- The PUD in looking at the future will take a step towards consolidation. The PUD plans on consolidating future capital improvements rate increases and spread them to all customers over the next 5 years. This will reduce or eliminate large capital surcharges for small water systems. The amount that we anticipate is 2.5 million dollars. And would create a 4% rate increase in each year from 2015-2019. Since low interest borrowing is extremely hard to find, the PUD must have to borrow at market rates. This borrowing will add approximately \$1.53 a month to all residential and small general service base service charges for each year. This rate increase equals 4% per year from 2015-2019.
- The PUD will still add capital surcharges to each system when the capital improvement is over \$3000 per customer.
- The next page we will go over our capital facilities plan for the next 5 years.

# Proposed Rate Structure

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- Below is the anticipated Capital improvements  
2015 – \$497,500
- 1. **Agate Beach** – Loop water main, Water plan, Reservoir  
Property - \$58,000
- 2. **Alderbrook** – Telemetry Design - \$19,500
- 3. **Arcadia Estates** – Well Pump, Blow Off, Fire Hydrant Maintenance - \$21,000
- 4. **Cushman, Inc** – Meters - \$6000
- 5. **Hartstene Retreat** – Hydrant Maintenance - \$5,500
- 6. **Highland Estates** - Decommission wells 1&2, Rebuild  
Enclosure #3 - \$26,500
- 7. **Highland Park** – Main Replacement, Booster Pump Upgrades,  
Union Regional Planning - \$111,000
- 8. **Lakewood Heights** – Well Enclosure - \$6,500
- 9. **Mountain View** – Hydrant Maintenance - \$5,500
- 10. **Pirates Cove** - Hydrant Maintenance - \$5,500
- 11. **Twanoh Heights** – Service Meters, Well Pump, Controls, Pump House, Decommission  
Well 2 - \$84,500
- 12. **Twanoh Terrace** - Service Meters - \$21,500
- 13. **Union Ridge** – Union Regional Planning - \$11,500
- 14. **Viewcrest Beach** - Main Replacement, Well Pump - \$80,000
- 15. **Vuecrest** – Booster Station Upgrades, Water Plan, Union Regional planning

# Proposed Rate Structure

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## 2016 Capital Projects - \$508,000

1. **Alderbrook** – Main Replacement, Telmetry Control - \$152,500
2. **Hood Canal** – Hydrant Maintenance, Union Regional Planning - \$48,000
3. **Hoodsport** - Hydrant Maintenance - \$52,000
4. **Minerva Terrace** – Main Replacement, Property for Well and Reservoir - \$202,500
5. **Tiger lake** – Rebuild Well House, Hydrant Maintenance - \$53,000

## 2017 Capital Projects - \$502,500

1. **Alderbrook** – Booster Pump Replacement, Well Pump, Hydrant Maintenance, Steel Tank Maintenance, Union Regional Planning - \$456,000
2. **Holiday View Two** – Meters - \$46,500

# Proposed Rate Structure

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## 2018 Capital Improvement Projects - \$493,000

1. **Bayshore** – Hydrant Maintenance - \$24,000
2. **Hood Canal** – Main Replacement - \$142,000
3. **Lake Arrowhead** – Main Replacement, Well House, Chlorine Automation, CO2 Well Injection, Hydrant Maintenance - \$293,000
4. **Madrona Beach** – Well Pump - \$34,000

## 2019 Capital Improvement Projects - \$502,500

1. **Agate Beach** – Well Pump - \$42,000
2. **Canal Beach Tracts** – Main Replacement - \$248,000
3. **View Ridge Heights** – Booster Station, Hydrant Maintenance - \$212,000

# Proposed Rate Structure

- The next item to discuss is adding a full time operations employee in 2015. The PUD had 3 water certified operators in the past covering all the county. When one took another job within the PUD it left just 2 water operators. The PUD did not replace the employee to see if we could handle the work load and decrease operating costs. After trying this for a few years, the PUD came to the conclusion that we could not handle the operating work load adequately and safely. For example, we would start a project and in the middle would have to send an operator elsewhere.
- By adding an additional employee the PUD would need to have a one time rate increase of 6% for 2015.
- The next page we will go over the proposed increase's to show what this means to our customers that have less than 2 ERU's.

# Proposed Rate Structure

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- In 2015, the overall rate impact would be 10%
- In 2016-2019 the rate would increase by 4% each year for capital improvement borrowing. The PUD will have to evaluate each year after 2015 to see if net revenue requirements are being maintained as we will have inflation or other costs that could come up. The goal is to maintain an even cash flow.

## Proposed new Rate for 2015 residential metered account –

0-400 Cu ft	\$ 35.32
401-1000 Cu Ft	\$ 1.67 Per 100 Cu Ft
1001 and above	\$ 2.09 Per 100 Cu Ft

## Old rate for metered residential account –

0-400 Cu ft	\$32.11
401-1000 Cu Ft	\$1.52 Per 100 Cu Ft
1001 and above	\$1.90 Per 100 Cu Ft

A typical base service bill for a residential customer using 800 Cu Ft would look like this (this does not include capital surcharges) –

	Old bill	New Bill	
0-400 Cu Ft	\$32.11	\$35.32	
400-800 Cu Ft	<u>6.08</u>	<u>6.68</u>	
Total Bill	\$38.19	\$42.00	Difference in monthly bills \$3.81

# Rate Equalization Plan

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- The PUD when looking to the future realized there were a few water systems that were paying an extremely large monthly rate when adding the base service charge and the capital surcharge.
- The PUD is proposing to cap their rate after their monthly bill is over \$75 per month at 800 cubic feet of consumption. This calculation includes capital surcharges. This calculation would be done on an annual basis.
- In order to qualify, a customer would have to have no more than 2 ERU's.
- This rate cap equalization plan applies from years 2016-2019. In 2015, no system would qualify.
- From 2016-2019 only 2 small water systems will qualify and the rate increase at 4% for the year after they hit the cap would not apply to them going forward.