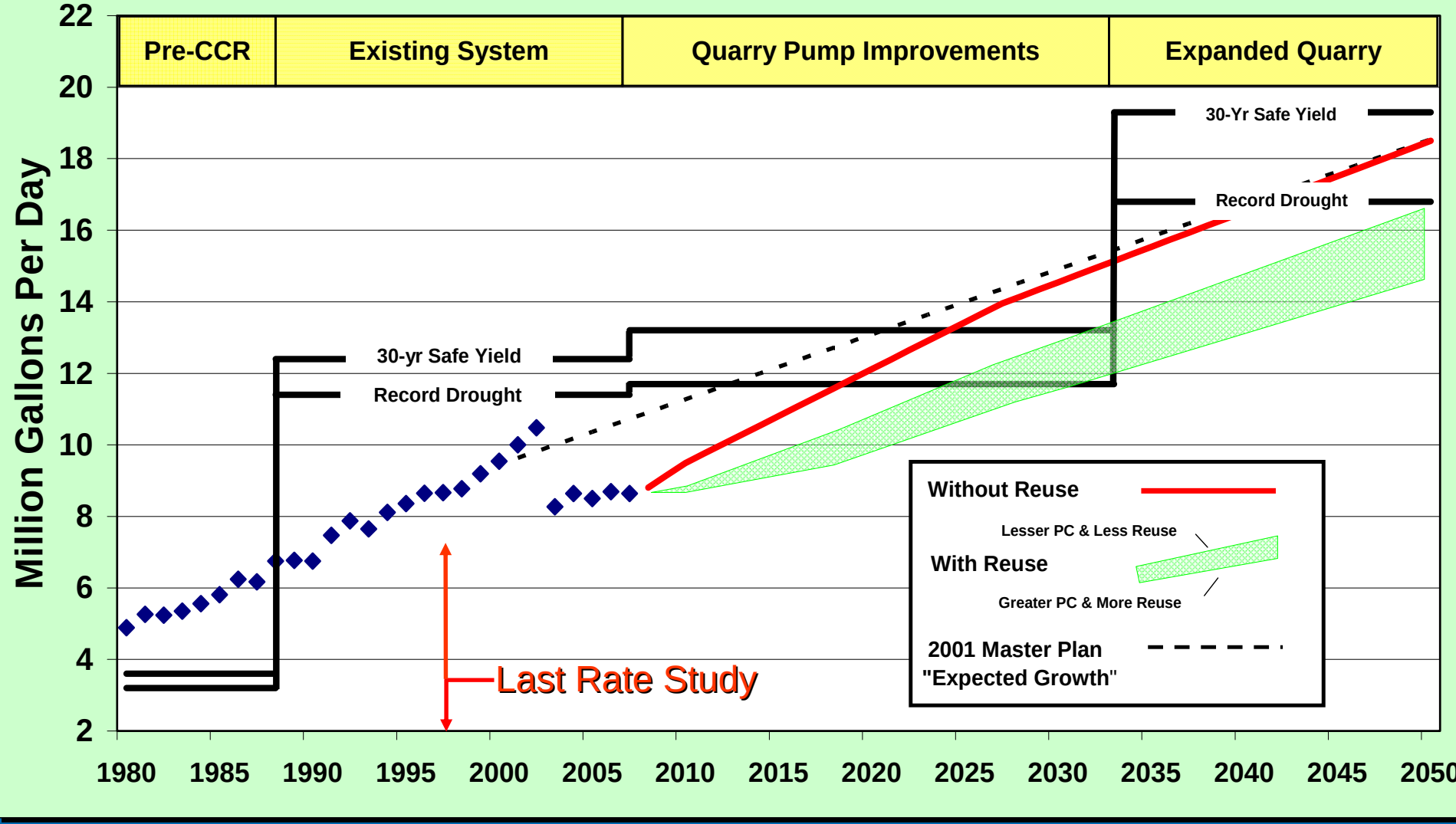
Proposed Changes to OWASA's Water and Sewer Rates

Presentation to the Carrboro Board of Aldermen

May 15, 2007

Raw Water Supply, Demand, and Potential Deficits



Key Facts Impacting Budget & Rates

- ✓ Record drought of 2001-02
- ✓ Seasonal rates 2002
- ✓ Year-round conservation 2003
- ✓ Since FY 2003, actual revenue has been $6 million under budgeted projections
- ✓ Costs of OWASA's wastewater (sewer) services have increased at a much higher rate than for water services

Key Questions…

1. How much revenue does OWASA need and why?

2. How should OWASA raise the necessary revenue?

1. How much revenue does OWASA need and why?

$18.4 million Capital improvements

18.5 million Operations and maintenance

9.7 million Debt service

$46.6 Million

60% of our budget supports the renewal and replacement of aging infrastructure – the #1 challenge for water utilities throughout the country

Capital Improvements are Needed to be Sustainable…

- ✓ Guided by our 50-Year Master Plan, we have a progressive 15-Year Capital Improvements Program
- ✓ Since 1999, OWASA has borrowed $110 million for capital improvements
- ✓ $50+ million invested in the last 5 years to upgrade and expand the Mason Farm Wastewater Treatment Plant

2. How should OWASA raise the necessary funding?

Key principles:

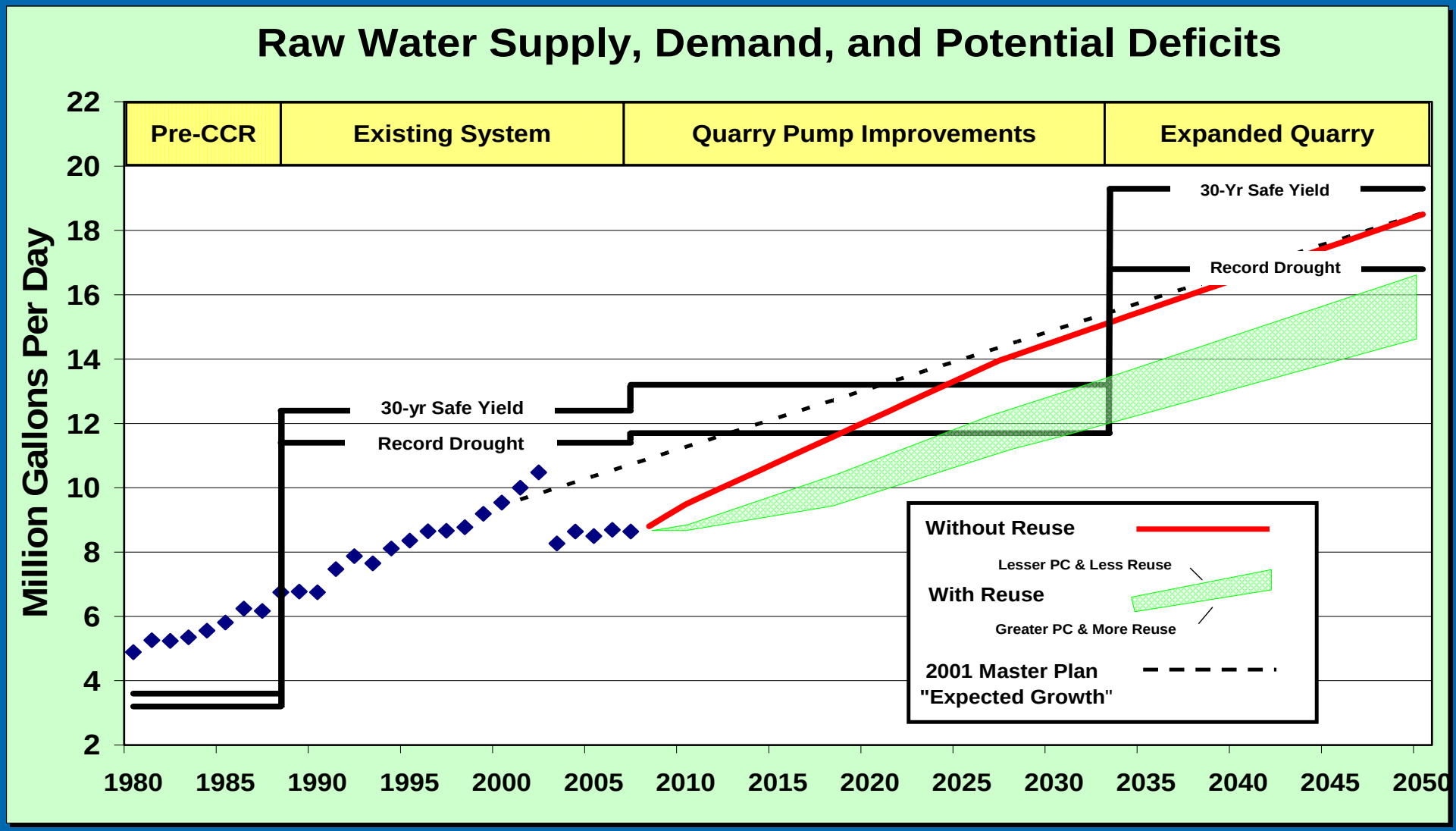
- ✓ Cost of service rates are required
- ✓ Growth should pay for growth
- ✓ Fiscally sound
- ✓ Encourage greater conservation

To raise the necessary revenues, a combined water and sewer rate increase of about 9.5% is needed:

Water – 6.25%

Sewer – 13.75%

Why is additional conservation needed?



Increasing Block Rates for Individually Metered Residential Customers

- ✓ Sends strong price signal to higher-than-average users to conserve
- ✓ Helps to reduce the effect of rate increases for low volume users
- ✓ Eliminates the seasonal rate impact for low volume users
- ✓ Proven and successful conservation tool

Customer Impacts (with 9.5% rate increase)

Use in 1000s gallons	Seasonal Rates (average bill)	*Proposed* Increasing Block Rates	$ Change
2	$36.13	$32.56	- $3.57
6	$69.74	$67.00	- $2.74
10	$103.35	$105.76	$2.41
20	$166.57	$229.11	$62.54

Seasonal rates to continue for commercial & institutional customers

Our decisions are guided by principles of sustainability for our:

- ✓ Customers
- ✓ Limited resources
- ✓ Infrastructure and facilities
- ✓ Fiscal affairs

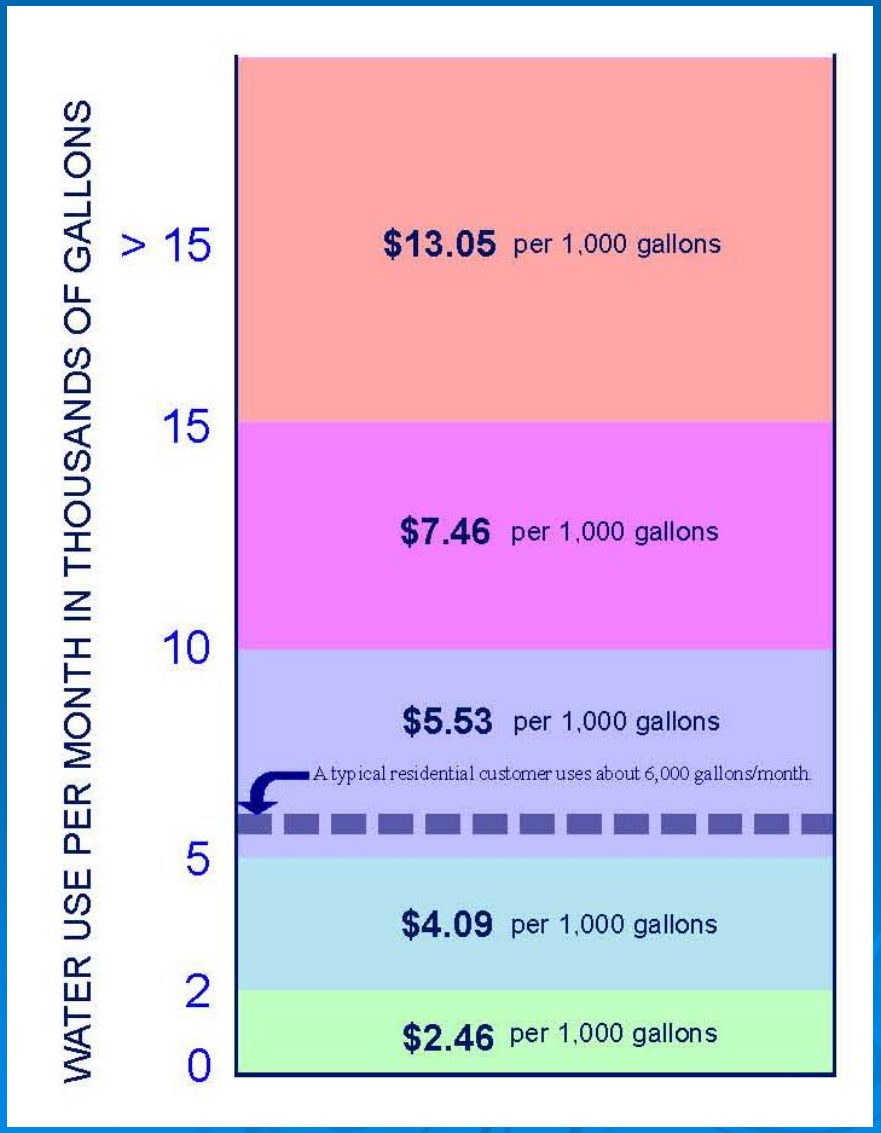
"the true cost of water"

Questions and Comments please

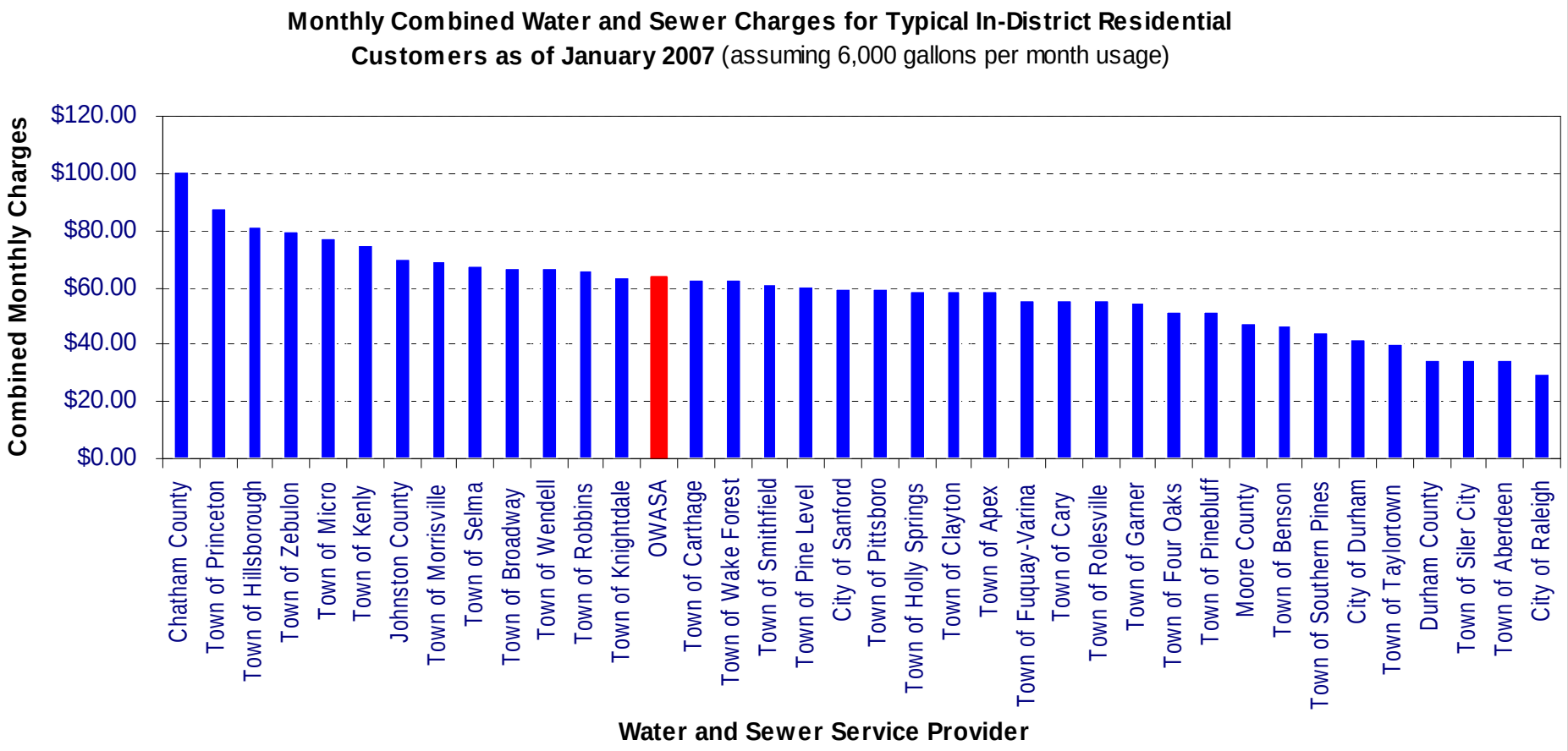
Thank you

www.owasa.org

How increasing block water rates work



How OWASA rates compare



OWASA Board Schedule for Budgets & Rates

May 10, 2007	Received customer comments
May 24, 2007	Public Hearings on Budgets and Rates
June 14, 2007	Consider adoption of Budgets and Rates
June 28, 2007	Adopt Budgets and Rates (if not adopted on June 14th)
October 1, 2007	New Rates take effect

Plant-in-Service Method

- ✓ Utilizes Replacement Cost Less Depreciation value of the existing system plus the cost of the five-year CIP (in current year dollars).
- ✓ Includes a credit to reflect the present value of future debt service payments to avoid a double recovery of capital costs.
- ✓ Considered the fairest alternative methodology
  - includes all eligible assets in the service availability fee
  - avoids double counting asset value of original projects and their replacement by including all assets, even rehabilitation and replacement assets, and depreciating all assets.

Plant-In-Service
Service Availability Fee Calculation

$$\frac{\text{Backbone Facilities (\$)}}{\text{System Capacity (Gals.)}} = \text{\$ per Gal. of Capacity}$$

\$ per Gal. of Capacity X Customer Demand (Gals.) = Availability Fee