



LAKE WHATCOM WATER & SEWER DISTRICT

1220 Lakeway Drive
Bellingham, WA, 98229

(360) 734-9224
Fax 738-8250

RATE REVIEW HEARING 1220 Lakeway Drive

JULY 29, 2014 at 7:00 p.m.

Setting utility rates is a complex issue. In setting the rates, the District's Board of Commissioners must be sure that sufficient revenues are collected to pay for the day to day operations of the District and to fund future infrastructure upgrades, repairs and replacements. A certain amount must also be kept in reserve for emergency contingencies.

The District's water and sewer rates are charged on a cost of service basis. Per state law, the District is not allowed to make a profit. Other than grants or low-cost loans for specific projects, the District receives no outside funding; all costs are borne by our customers.

As a cost saving measure, beginning in 2015 the District's operating budget will be reduced by \$50,000.00 per year, which equates to about a 3% cut in operating expenses. The details of this reduction will be determined in the 2015 budget process.

To assist with financial planning, the District contracts with a financial consultant, FCS Group, to conduct rate studies on a regular basis, usually every five years. The latest study results indicate that the District's water and sewer rates need to be increased overall.

FCS Group has analyzed our current revenue and expenditures, capital plans, debt commitments, and other data needed to develop rates for the next five years beginning in January 2015. That rate study has been reviewed by the Board. The Board has also been considering policy issues pertaining to water conservation and the impact of the rates on low-income customers.

PROPOSED RATES

BI-MONTHLY	CURRENT	2015	2016	2017	2018	2019
WATER BASE RATE	\$50.05	\$52.68	\$57.29	\$62.31	\$67.60	\$70.31
SEWER FLAT RATE	\$141.34	\$148.03	\$151.74	\$155.53	\$159.42	\$163.40
COMBINED TOTAL	\$191.39	\$200.71	\$209.03	\$217.84	\$227.02	\$233.71
WATER OVERAGE RATE Per 100 cubic feet over 600 cubic feet	\$6.32	\$7.48	\$8.13	\$8.85	\$9.60	\$9.98
WATER OVERAGE RATE Per 100 cubic feet Over 2,500 cubic feet		\$9.35	\$10.17	\$11.06	\$12.00	\$12.48

PROPOSED RATE CHANGES

Sewer Rates - Proposed rate increases are 4.7% for 2015 and 2.5% per year after that.

Water Rates – Proposed rate increases for water are 5.25% for 2015, 8.75% for the next two years, then 8.5% for 2018, and 4% for 2019.

In general, the District's rates are high compared to surrounding water and sewer utilities due to economy of scale issues. For example:

- Small customer base – currently about 4,000 customers.
- Slow growth – infrastructure upgrade and replacement costs fall to existing customers instead of new customers through payment of connection fees.
- Few commercial and no industrial accounts.

In addition, the topography of our service area requires extensive infrastructure for both water and sewer service.

PROPOSED POLICY CHANGES

Low-Income Senior/Disabled Rate. For both water and sewer, the District is proposing to create discounted rates for low-income senior and low-income disabled single-family residential customers. This is common practice among utilities to address affordability issues. The discount for those qualifying customers would be 40% of the total bill. To qualify for the low income senior/disabled rate, customers will be asked to provide documentation of their Whatcom County property tax reduction status.

Conservation Block Rate for single-family residential water customers the District is proposing to create a “conservation block rate” under which the volume rate is higher for accounts using more the 2,500 cubic feet in a two-month billing period. See the chart on page 1; Water Overage Rate over 2,500 cubic feet.

Questions regarding the rate study can be directed to the District's email address at general.inbox@lwwsd.org or by phone 734-9224. The existing and proposed rate schedule can be found at www.lwwsd.org.

RATE REVIEW HEARING

FCS Group will present the results of the Rate Study and outline the proposed changes at the Rate Review Hearing on July 29, 2014 at 7:00 p.m. at the District's office located at 1220 Lakeway Drive in Bellingham. The presentation will be followed by a public comment period. Written comments are also welcome. The submission deadline for written comments is August 13, 2014.