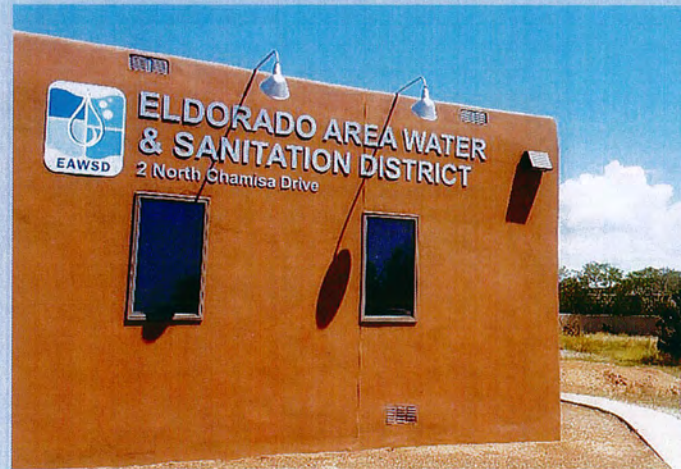




# COST OF SERVICE AND RATE DESIGN STUDY PUBLIC FORUM



**ELDORADO AREA WATER & SANITATION DISTRICT  
August 27, 2019 – RATE STUDY PUBLIC FORUM**



**RATE STUDY FORUM | AGENDA**

- I. Historical Timeline**
- II. Rate Study Committee**
- III. The Need for Rate Adjustment**
- IV. Successes**
- V. Rate Study Consultant**
- VI. Cost of Service and Rate Design Study (Nelisa Heddin)**
- VII. Next Steps**
- VIII. Questions and Audience Input**



## RATE STUDY FORUM | I. HISTORICAL TIMELINE

- 1973** Eldorado developer, AMREP forms El Dorado Utilities (EDU)
- 1993** EAWSD created
- 2002** Voters approve bond issue to purchase utility from EDU
- 2004** EAWSD files condemnation suit; jury valuation: \$11+ Million
- 2005** Purchase completed; EAWSD management begins  
*(original rates set by PRC)*
- 2014** Initial Rate Study to establish current rates
- 2015** December - Current rates implemented for 2016-2019
- 2017** November - New Rate Study authorized, work begins
- 2019** July 25<sup>th</sup> – Presentation to board of Preliminary Results
- 2020** August 27<sup>th</sup> - Public Forum to present Rate Design Study



## RATE STUDY FORUM | II. RATE STUDY COMMITTEE MEMBERSHIP

- **Elizabeth Roghair**, Chair; Board Member, Treasurer\*
- **David Burling**, Board Member, Finance Committee Chair\*
- **Steve King**, General Manager\*
- **Terry Gibbs**, Retired Business LANL Analyst, Finance Committee Member\*
- **Gene Schofield**, Past EAWSD Treasurer, Finance Committee Member\*
- **Phil Speicher**, Past Board Director/Treasurer, Finance Committee Member\*
- **Joe Loewy**, Capital Planning and Advisory Committee Member\*
- **Jessa Huybrechts**, CPA, EAWSD Controller

\* EAWSD Customer and Local Resident

ELDORADO AREA WATER & SANITATION DISTRICT



## CURRENT 2016 – 2019 RATE SCHEDULE FEATURES

- Revenues cover original purchase bond issues  
*Final payment June 2025.*
- Revenues to cover current capital projects debt obligations  
*Insufficient to meet projected needs.*
- Covers \$150,000 to \$200,000 in annual system rehab and repairs  
*Insufficient to meet projected needs.*
- Covers current Operating and Administrative costs  
*No provision for future cost increases.*
- Appropriately shifts more of the rate burden to customers using high amounts of water (greater than 10,000 gallons per month).



## DRIVING FORCES

- **An Aging Water System**
  - ✓ *Rehab and repair of existing facilities to extend their useful life.  
(\$600,000 per year)*
  - ✓ *Replacement of existing facilities at the end of their useful life.  
(\$13M over five years)*
- Rising Operating and Maintenance (O&M) costs due to inflation.
- Rising O&M costs due to increased data management, technology and cybersecurity.



## **DRIVING FORCES: Rehab and Repair of Existing Facilities**

**6 Water Storage Tanks** — AGES: 21 to 40 years  
TYPICAL USEFUL LIFE: 50 years

Requires Repainting and new corrosion protection every 15 to 25 years  
— \$350,000 to \$500,000 each

**5 Booster Pump Stations** — AGES: 6 to 49 years  
TYPICAL USEFUL LIFE: 40 to 50 years

Requires Mechanical and electrical rehab every 20 to 25 years  
— \$75,000 to \$200,000 each



## **DRIVING FORCES: Rehab and Repair of Existing Facilities** - *Continued*

**11 Active Wells** — AGES: 3 to 37 years

TYPICAL USEFUL LIFE: 30 to 40 years

Requires Inspection, cleaning and mechanical rehab every 6 to 8 years

— \$25,000 to \$50,000

**38 Pressure Reducing Valves** — AGES: 1 to 40+ years

TYPICAL USEFUL LIFE : 30 to 40 years

Requires Rehab every 4 years

— \$1,000 to 1,500

Replace cost

— \$15,000 to \$30,000





## **DRIVING FORCES: Replacement of Existing Facilities**

**130 Miles of Pipeline** — AGE: 2 to 45 years  
EXPECTED USEFUL LIFE: 50 to 60 years

Includes 106 miles of substandard PVC pipe 30 to 40+ years old (83%).

Includes 9 miles of Asbestos Cement (AC) pipe with substandard service connections 30 to 40+ years old (7%).

Replacement costs including new service connections.  
— \$500,000 to \$750,000 per mile



## **DRIVING FORCES: Replacement of Existing Facilities** - *Continued*

**11 Active Wells** — AGES: 3 to 37 years

TYPICAL USEFUL LIFE: 30 to 40 years

### **REPLACEMENT COSTS:**

Replace existing

— \$1.4M to \$1.9M each

New High Capacity “State Well” (equivalent of 3+ wells)

— \$5.5M

Santa Fe County Intertie (equivalent of 3+ wells)

— \$2.5M for system intertie and upgrades plus cost of water delivery



## **DILIGENCE IN PURSUIT OF GRANTS AND LOAN FORGIVENESS TO OFFSET HIGH COSTS OF CAPITAL PROJECTS**

• <b>2018 Drinking Water Loan Forgiveness</b>	<b>\$ 328,755</b>
• <b>2018 Legislative Grant</b>	<b>\$ 315,000</b>
• <b>2019 Legislative Grant</b>	<b>\$ 312,000</b>
• <b>2019 Water Trust Board Grant</b>	<b>\$ 300,000</b>
<b>Total</b>	<b>\$1,255,755</b>



## **DILIGENCE IN MANAGEMENT OF CAPITAL PROJECT COSTS**

- Pressure Zone Cost/Benefit Analysis to Identify Cost Savings
  - \$900,000
- “Packaged” Pump Station Design Cost Savings
  - \$200,000
- Alternative Pipeline Alignment Cost Savings
  - \$250,000

## **COMPETITIVE BIDDING OF ALL CONTRACTED SERVICES**

- Operations, Customer Services and Billing
- Engineering
- Accounting/Auditing
- Legal

## **COMPETITIVE BIDDING OF ALL CAPITAL PROJECTS**



- **Industry expert in financial planning and management for municipal utilities.**
- **Specialist in cost of service and rate design studies.**
- **20 years experience providing consulting services to utilities of all sizes throughout the Southwest.**
- **Masters of Business Administration from NMSU with a specialty in finance.**
- **Past Chair of the Texas American Water Works Association Rates and Charges Subcommittee.**
- **Consultant for 2015 EAWSD Rate Study.**



## RATE STUDY FORUM | VII. NEXT STEPS

- ❑ Rate Study Committee will consider input from **August 27<sup>th</sup> PUBLIC FORUM**.
- ❑ Board will consider RATE STUDY FINAL REPORT at its **Thursday, September 12<sup>th</sup>, 2019 Board Meeting**.
- ❑ The Board's rate proposal will be presented at a **PUBLIC HEARING** presided over by a Hearing Officer certified by the Public Regulation Commission, (PRC) scheduled for **Wednesday, September 25<sup>th</sup> @ 6 pm** at the District's Administration Office-Public Conference Room, 2 North Chamisa Drive.
- ❑ The Hearing Officer will adopt, reject or modify the Board's proposal within 30 days following the PUBLIC HEARING.
- ❑ Any District qualified elector may appeal the Hearing Officer's decision within 20 days after it is published.
- ❑ If there is no appeal, the Hearing Officer's decision becomes final.
- ❑ If there is an appeal, the Board must take action to approve, reject or amend the Hearing Officer's decision.
- ❑ The Board's decision can be appealed to District Court.



## RATE STUDY FORUM | VIII. QUESTIONS & AUDIENCE INPUT



**EMAIL ADDITIONAL QUESTIONS, COMMENTS OR OBSERVATIONS TO:**

- **[info@EAWSD.org](mailto:info@EAWSD.org)**  
(Reference the 8/27 RATE STUDY PUBLIC FORUM in the subject line)