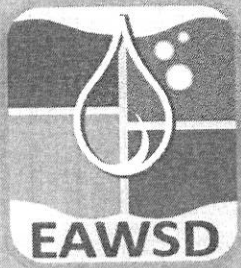
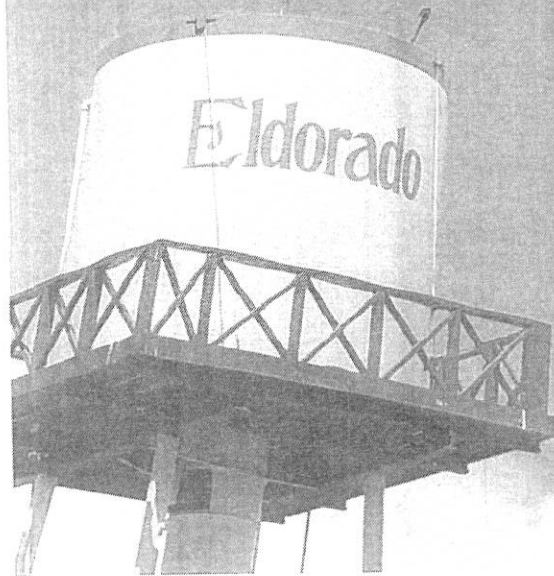
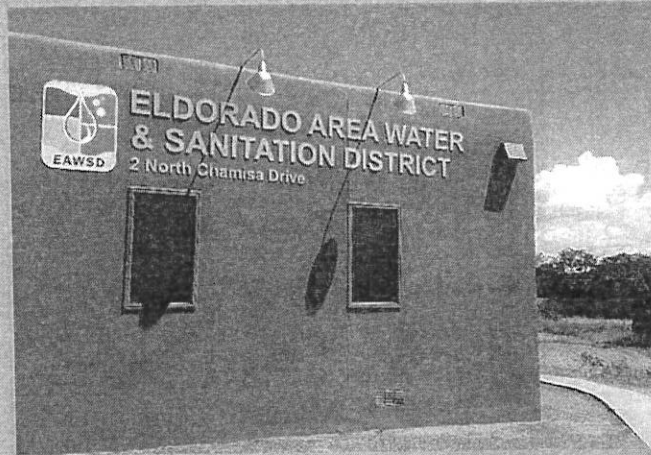


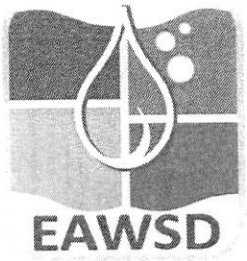
Attachment # 3



COST OF SERVICE AND RATE DESIGN STUDY PUBLIC RATE HEARING

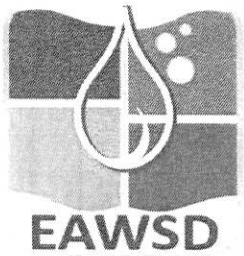


**ELDORADO AREA WATER & SANITATION DISTRICT
September 25, 2019 – PUBLIC RATE HEARING**



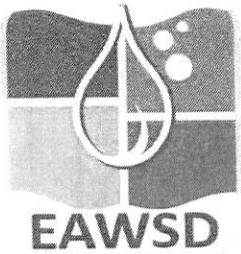
PUBLIC RATE HEARING | **AGENDA**

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



PUBLIC RATE HEARING | I. HISTORICAL TIMELINE

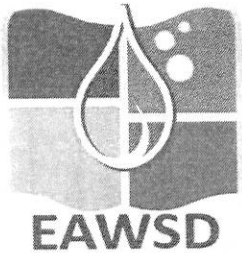
- 1973 Eldorado developer, AMREP forms El Dorado Utilities (EDU)**
- 1993 EAWSD created**
- 2002 Voters approve bond issue to purchase utility from EDU**
- 2004 EAWSD files condemnation suit; jury valuation: \$11+ Million**
- 2005 Purchase completed; EAWSD management begins**
- 2014 Initial Rate Study to establish current rates**
- 2015 December - Current rates implemented for 2016-2019**
- 2017 November - New Rate Study authorized, work begins**
- 2019 July 25th – Presentation to Board of Preliminary Results**
- 2019 August 27th - Public Forum to present Rate Design Study**
- 2019 September 19th – Board accepts recommended rate increases**
- 2020 September 25th – Public Rate Hearing presided over by Hearing Officer**



PUBLIC RATE HEARING | II. RATE STUDY COMMITTEE MEMBERSHIP

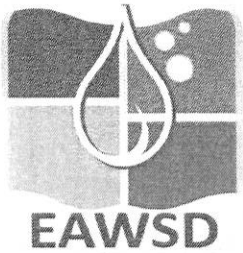
- **Elizabeth Roghair**, Chair; Board Member, Treasurer*
- **David Burling**, Board Member, Finance Committee Chair*
- **Steve King**, General Manager*
- **Terry Gibbs**, Retired Business LANL Analyst, Finance Committee Member*
- **Gene Schofield**, Past EAWSD Treasurer, Finance Committee Member*
- **Phil 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



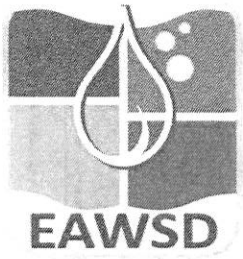
CURRENT 2016 – 2019 RATE SCHEDULE FEATURES

- **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.



PUBLIC RATE HEARING | **III. NEED FOR RATE ADJUSTMENT**

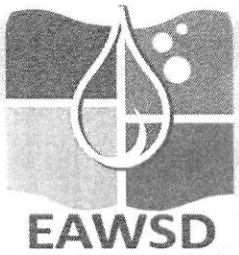
DRIVING FORCES: Rehab and Repair of Existing Facilities

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

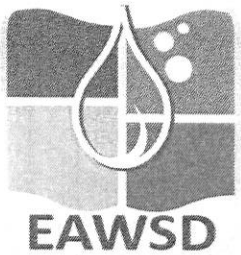
TYPICAL USEFUL LIFE : 30 to 40 years

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

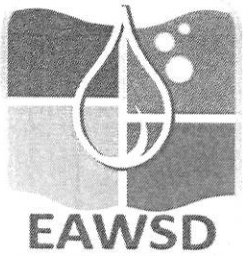
EXPECTED USEFUL LIFE: 50 to 60 years

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

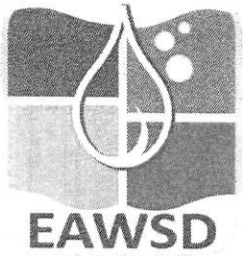
— \$1.4M to \$1.9M each

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

— \$5.5M

Santa Fe County Intertie (equivalent of 3+ wells)

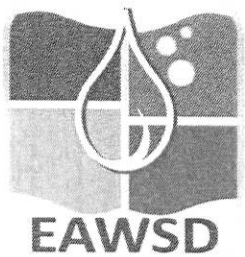
— \$2.5M for system intertie and upgrades plus cost of water delivery



PUBLIC RATE HEARING | **IV. SUCCESSES**

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

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



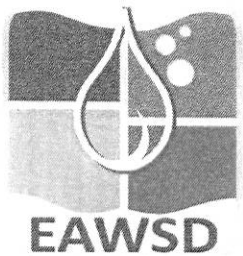
DILIGENCE IN MANAGEMENT OF CAPITAL PROJECT COSTS

- 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

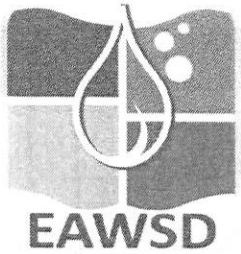
- Operations, Customer Services and Billing
- Engineering
- Accounting/Auditing
- Legal

COMPETITIVE BIDDING OF ALL CAPITAL PROJECTS



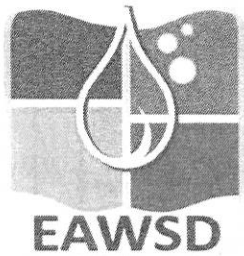
PUBLIC RATE HEARING | V. PUBLIC FORUM FEEDBACK

- **Acceptance of the need to fully fund much needed rehab, repair and replacement of our aging water system**
- **Concern about higher base rates for out-of-district customers (impact of new local election law)**
- **Support for the need to continue to appropriately shift rate burden to high water users (*promote conservation*)**
- **Appreciation and support of continued efforts to secure grants and loan forgiveness to help offset high costs of much needed capital improvements**
- **Appreciation that volumetric rates were only modestly increased for the vast majority of low water users**
- **No objections to proposed rate increases**



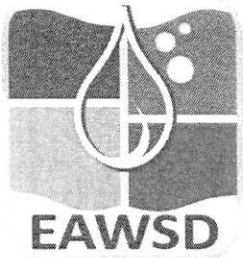
PUBLIC RATE HEARING | VI. NELISA HEDDIN CONSULTING

- **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.**

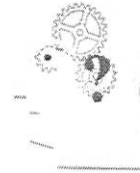


RATE STUDY FORUM | VII. NEXT STEPS

- ❑ The Board's rate proposal presented at a **PUBLIC HEARING** presided over by a Hearing Officer certified by the Public Regulation Commission, (PRC) scheduled for **Wednesday, September 25th @ 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**

(Reference the 9/25 RATE STUDY PUBLIC HEARING in the subject line)