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Notice of Proposed Rate Increase and Public Hearing Date
November 20, 2018 at 6 p.m.
Donner Summit Public Utility District
53823 Sherritt Lane, Soda Springs, CA

October 1, 2018

Notice of Proposed Water Rate Increase

Notice is given that the Donner Summit Public Utility District Board of Directors has approved a water rate increase to take affect July 2019. **A public hearing will be conducted on November 20, 2018 at 6 p.m. at the DSPUD boardroom to consider adopting the proposed rate increase.**

Current Water Quality

The Big Bend water system is out of compliance with the Safe Drinking Water Act for the Total Coliform Rule and as such, has received numerous citations from the State Division of Drinking Water. Unless the situation is corrected, the District will continue to receive citations and customers will be required to continue to boil water before consumption.

Why a Rate Increase?

The proposed water rate increase is necessary to fund a project that will bring the water system into compliance for coliform bacteria and to maintain and operate the water system. The new infrastructure will provide disinfection throughout the distribution system. Once the project is completed, it will not be necessary for customers to boil water before use.

The rate increase will also account for the annual shortfall in revenue of approximately \$2,656 and expenses outlined in Table 4 of the Water Charge Study. Expenses include pipeline replacement and the USDA required short-lived assets fund. Any unused funds during a fiscal year will go into the Big Bend Water System account designated for asset rehabilitation and replacement.

Project Cost, Funding and Timing

The estimated project cost is \$380,000. The District is pursuing financing through a USDA Rural Development loan to fund project costs.

The District will begin the contractor selection process spring 2019 and anticipates construction to start June 2019 (site conditions allowing). Construction is estimated to take six months to complete.

Table 4: Calculation of Operations and Maintenance Annual Costs

Estimated Annual Expenses	Estimated Annual Cost	Notes
Operations and Maintenance		
Service Calls / Crew	\$11,900	3 Crew members, 81 hrs @ \$147.12 / hour
Materials and Supplies	\$3,500	Annual allowance based on historical cost
Laboratory Testing	\$3,000	Annual allowance based on historical cost
Administration	\$3,300	Office personnel average \$54.97 / hour, 60 hours
General Manager Time	\$2,000	20 hours @ \$98.69 / hour
Subtotal Operations and Maintenance Costs	\$23,700	
System Rehabilitation		
Pipeline Replacement and Tank Maintenance	\$3,000	Replace 150 ft pipe / year @ \$20 per l.f.
Short-Lived Assets	\$1,000	Required for USDA; described in Engineering Report
New Assets Depreciation	\$900	30% of depreciation. See [1]
Subtotal System Rehabilitation	\$4,900	
Total Annual Expenses	\$28,600	
Total Number Cabins	29	
Annual Expense per Cabin	\$986.21	
Quarterly O&M Fee per Cabin	\$246.55	

[1] New Assets Depreciation:	<u>Cost</u>	<u>Years</u>	<u>Annual Depreciation</u>
Treatment Building	\$109,000	80	\$1,363
Treatment System	\$66,500	60	\$1,108
Pipelines	\$37,000	100	\$370
Total New Assets Depreciation	\$212,500		\$2,841

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About the Proposed Rate Increase and Annual Debt Service Assessment

Currently, water users pay \$639.96 annually (\$159.99 quarterly) for water service and an annual assessment of \$545.52 (\$136.38 quarterly). **Under the proposed increase, water service rates will increase to \$246.55 quarterly.**

The current annual assessment will be eliminated. **A new debt service assessment, which is needed to fund the annual debt service on the USDA loan, will be charged quarterly at \$185.46.**

Follow-up from the August Workshop

Many Big Bend customers attended a workshop in August 2018 where three projects and rate options were considered. The estimated water rates reviewed have been updated in the revised Water Charges Study. Three key factors affected the updated water rate amount.

- 1) The USDA requires that one year of debt service (\$19,558) be collected over the first ten years of the loan. The debt service assessment will fund this requirement.
- 2) The initial Water Charge Study used the current USDA interest rate of 3.875 percent. The USDA adjusts its interest rate quarterly. The revised Water Charge Study conservatively projected the interest rate at 4.125 percent. The loan is a fixed-rate meaning once the documents are signed, the rate will be fixed for the life of the loan.
- 3) A three percent annual inflation factor is calculated in the **water service** rate.

Some customers requested the option to prepay the annual debt service assessment in one upfront, lump sum. The estimate prepayment amount is \$13,105. Customers wishing to prepay the debt assessment should contact the District. Customers who prepay the debt assessment will still have the quarterly water service charge of \$246.55.

Table 5: Updated Big Bend Water Charges Schedule Effective January 1, 2019

	Quarterly Charges *		
	Operations *	Debt Service	Total
	<i>a</i>	<i>b</i>	<i>c = a+b</i>
Project Prepaid Cabins	\$246.55	\$0.00	\$246.55
Debt Service Cabins	\$246.55	\$185.46	\$432.02

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* Quarterly fee for Operations automatically increases 3.0% per year every January 1 unless action is taken by the DSPUD Board of Directors to either decrease fees or increase fees by a lesser amount than the maximum 3.0% increase. The last automatic increase is January 1, 2024. Debt service does not increase over time.

About the Proposition 218 Process

Per Proposition 218 requirements, ratepayers have a right to protest the proposed rate increase.

Option 1

If you do not oppose the rate increase, you need not take any action.

Option 2

If you do oppose the proposed rate increase, your protest must be submitted in writing even if you attend the public hearing. All written protests must be received in writing via mail no later than 6 p.m. Tuesday, November 20, 2018.

Per Prop 218 requirements, emails, phone calls and other forms of protest are not allowed.

Written protests must include:

- Your full name
- Your service street address or assessor's parcel number
- A statement of protest
- Signature of the property owner

Mail written protests to: Donner Summit Public Utility District, P.O. Box 610, Soda Springs, CA 95728. You may also deliver protests to DSPUD's office located at 53823 Sherritt Lane, Soda Springs, CA 95728.

Visit DSPUD.com

For more information about proposed rate increase, debt service assessment, and to view the Water Charge Study, go to DSPUD.com and click on the Big Bend customer link.