

Peshastin Water District Merger Next Steps

February 5, 2024

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Why we're here today

Morning session:

- Review feedback to date
- Review rate adder examples
- Discuss next steps

Afternoon session:

- Present resolutions seeking adoption of:
 - 8" Basic monthly charge
 - Industrial tank surcharges
 - Replacement internal loan terms

Progress to date

- ✓ December 18
 - Progress update
 - Previewed rate proposal
- ✓ January 8
 - Reviewed feedback to date
 - Previewed outreach plan, set rate hearing and informational meeting
 - Public comment period began
- ✓ January 17
 - Public information meeting
- ✓ January 22
 - Rate hearing
- ✓ February 5 - today

Feedback to date

- Board requests
 - Additional options for capital funding and rate adder
 - Discussion of cost and regulatory risk impact
- Community feedback
 - Concern with impact and timing of rate adders
 - Desire additional water rights valuation analysis

Potential rate adder scenarios

- Adopt and implement monthly rate adder now
- Adopt monthly rate adders now, delay implementation
- No decision now, revisit at later date (Q3 2024)

Rate adder – Example 1

Implement monthly rate adder now

\$16 Residential, \$30 Commercial, \$1,655 Industrial

Pros

- Aligns with transfer timing
- Funds planned capital
- Fixes capital costs to PWD customers

Cons

- Large immediate increase
- May over-collect interest during construction period
 - Benefits all water customers
- Future funding sources could trigger re-evaluation
 - Grant funding
 - Public Power Benefit (PPB)

Rate adder – Example 2

Adopt monthly rate adder – delay implementation
\$16 Residential, \$30 Commercial, \$1,655 Industrial

Pros

- More time to explore other funding sources
 - Grant funding
 - PPB funds
- Funds planned capital
- Fixes capital costs to PWD customers

Cons

- Large future increase
- May under-collect interest until implementation
 - Impacts all water customers
- Lacks certainty for customers

Rate adder – Example 3

Defer decision to later date (Q3 2024)

Pros

- More time to explore other funding sources
 - Grant funding
 - PPB
- No immediate large increase

Cons

- Future bill impacts unknown
- Capital plan is unfunded
 - May eventually impact all water customers
- Increasing construction costs

Phased-in rate adder example

- Example based on:
 - Full monthly rate adders as proposed
 - Annual adjustments over 4-year period

	Year 1	Year 2	Year 3	Year 4	Total adder
Residential	\$4	+\$4	+\$4	+\$4	\$16
Commercial	\$7.50	+\$7.50	+\$7.50	+\$7.50	\$30
Industrial	\$413.75	+\$413.75	+\$413.75	+\$413.75	\$1,655

Questions?

Schedule of next steps

- February 5 – Resolution adoption requests:
 - 8” Basic charge, tank surcharges, replacement internal loan
- February/March
 - System programming of rates/testing
 - Meter installation
- March 26 – Closing
- Update to Board (Q3 2024)

Appendix

Resolutions seeking action

- Amend existing water rate schedules to establish:
 - 8” Basic Charge (new to PUD water system rate schedule)
 - Tank Surcharges (same level as existing PWD rates)
- Seek approval of replacement internal loan terms
 - Debt service similar to existing PWD debt and supported by rate revenues
 - \$1,040,000, 10-year maturity, Interest rate 3.0%

