

Peshastin Water District Acquisition Update

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Why we're here today

- Progress update – no action requested
- Review financial and rate considerations and assumptions
 - Seek feedback and direction
- Next steps

Acquisition Considerations/Priorities

- PUD responding to Peshastin Water District (PWD) request
- PWD leadership is committed to this effort
- PWD outreach to customers indicates support
- PUD presently operates the Peshastin wastewater system
- Community benefit of single utility provider
- Acquisition shall be financially neutral to existing PUD customers

Progress to date

- Resolution 22-14730 authorized General Manager to execute PWD water system transfer agreement and included the following terms:
 - PUD will not pay monetary consideration for acquiring PWD assets
 - PUD will pay outstanding PWD liabilities that encumber assets
 - PWD will transfer all assets to PUD
 - Transition period no less than six months
 - PUD has full authority and discretion to set water rates

Progress to date

- Agreement signed late September 2023
 - Transaction closing targeted for late March 2024
- Transition plan under development / implementation
- Land rights analysis completed
 - PWD currently acquiring easements
- Water rights deeds acquired

Progress to date

- Refined capital improvement plan
- Developed financing options
- PWD water rights valuation completed by third-party
 - Excess water rights value estimated at ~\$1M
- Identified future board action

Internal loans

- PWD acquisition creates two funding needs
 - Replacement of PWD existing external loans
 - Construction cash for new capital projects
- Internal loans benefit all customers
 - Match system funding need with available system cash
 - Supports debt leverage and coverage metrics
 - Avoids external bond issuance and interest costs
- Principal and interest paid back over time per schedule
 - Collected through rate revenue

Proposed loan terms

- Final terms will be set by Resolution
- Substantially aligned with standard internal loan process
- Loan reserves to support scheduled payments
- Replacement Loan
 - Similar to existing PWD debt
 - Supported by rate revenues
 - Not to exceed \$1.1 million
 - 10-year maturity
 - Estimated interest rate 3.5%
- New Capital Loan
 - Supported by rate adders
 - Not to exceed \$1.7 million
 - 20-year maturity
 - Estimated interest rate 4.2%

Planned rate and fee adjustments

- PWD customers will transition to existing PUD policies, rates, fees and charges
- Continue existing large industrial customer tank surcharge rates
- Rate adder to cover new capital loan
- Additional low-income/senior disabled discount applicable to proposed rate adder
- Rate adder and tank surcharge will sunset upon payoff of internal loans

Planned rate and fee adjustments

Peshastin Water District New Connection Charges

Connection Size	Charge
5/8"	\$6,000
1"	\$6,000
1 ½"	\$9,500
2"	\$10,500
4"	\$12,000

Chelan PUD System Development Charge (SDC)

Connection Size	Charge
5/8"	\$3,372
1"	\$8,430
1 ½"	\$16,860
2"	\$26,976
3"	\$50,580
4"	\$84,300

Customers of both systems pay applicable infrastructure costs (meter fee, chamber costs, etc.)

Rate adder considerations

- September 2022 estimated at \$38/month per residential customer
- Refinements include:
 - Consideration for water rights valuation
 - Removed specific improvement projects that are common to existing PUD improvement needs
 - Estimated capital improvement costs adjusted from ~\$3.1M to ~\$2.67M
- Current proposed rate adder \$17/month per residential customer, \$33/month per commercial, \$1,780/month per industrial customer
- Future grant funding or significant growth could trigger re-evaluation

Schedule to meet March acquisition

- ✓ December 18th
 - Progress update
 - Preview rate proposal
- January 8
 - Review board comments/feedback from Dec. 18
 - Preview outreach plan, set rate hearing and informational meeting
 - Public comment period begins
- January 9 – 21
 - Public notice, display ads on multiple platforms
 - Host public information meeting
- January 22
 - Rate hearing
- February 5
 - Present resolution seeking adoption of rate plan
 - Present resolution seeking approval of internal loan terms
- February/March
 - System programming of rates/testing
 - Meter installation
- March – Acquisition completion target

Questions?

Appendix

Estimated customer impacts 2024 Rate Schedules

Example of average monthly Residential Customer

PWD Rates	PUD Rates	PUD + Rate Adder	Average Monthly Impact
\$67	\$63	\$80	\$13

- 5/8" Meter and ~6,000 gallons per month
- Proposed rate adder ~\$17/month
- Qualifying low-income senior/disabled customers eligible ~\$20/month discount

Estimated customer impacts 2024 Rate Schedules

Example of low use monthly Residential Customer

PWD Rates	PUD Rates	PUD + Rate Adder	Average Monthly Impact
\$58	\$50	\$67	\$9

- 5/8” Meter and ~3,000 gallons per month
- Proposed rate adder ~\$17/month
- Qualifying low-income senior/disabled customers eligible ~\$20/month discount

Estimated customer impacts 2024 Rate Schedules

Example of high use monthly Residential Customer

PWD Rates	PUD Rates	PUD + Rate Adder	Average Monthly Impact
\$104	\$133	\$150	\$46

- 5/8” Meter and ~20,000 gallons per month
- Proposed rate adder ~\$17/month
- Qualifying low-income senior/disabled customers eligible ~\$20/month discount

Estimated customer impacts 2024 Rate Schedules

Example of average monthly Commercial Customer

PWD Rates	PUD Rates	PUD + Rate Adder	Average Monthly Impact
\$188	\$189	\$222	\$34

- 1 ½” Meter and ~19,000 gallons per month
- Proposed rate adder ~\$33/month

Estimated customer impacts 2024 Rate Schedules

Example of average monthly Industrial Customer

PWD Rates	PUD Rates	PUD + Rate Adder	Average Monthly Impact
\$4,670	\$4,120	\$5,900	\$1,230

- 8" Meter and ~671,000 gallons per month
- Proposed rate adder ~\$1,780
- Does not include tank surcharge for applicable customers