



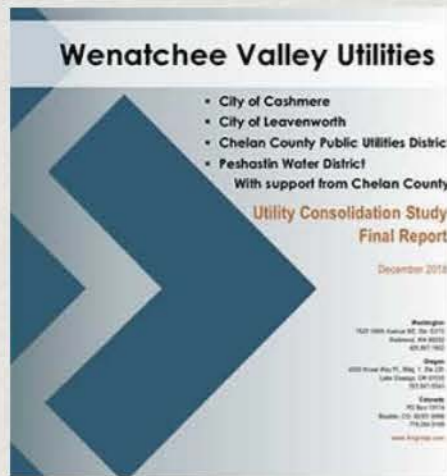
Financial Considerations for Peshastin “Rate Adder”

PUD 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 loan.

PUD's 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 adders:** \$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.**



WVUCS Report Chapter II.C.2.b

Affiliation with Chelan County PUD Electrical Utility

“The Chelan County PUD water and **sewer systems also illustrate a potential advantage of having an organizational home that is part of a much larger electric power utility...**

“Chelan County PUD financial policies state that its water and sewer utilities are expected to recover from ratepayers their full operating and maintenance (O&M) costs, **but not necessarily their capital costs. So the water and sewer systems have benefitted from their affiliation with a larger electrical utility that occasionally has financial **capacity to support capital costs, either directly or by writing off water or sewer system debt.**” (Public Power Benefit)**

“However, this financial capacity may not be available for future water and sewer capital projects.

“...the Chelan County PUD electrical utility might or might not have excess financial capacity in any given year...

“...the Chelan County PUD Board of Commissioners **could change its policy to require strict recovery of all costs from its water and sewer systems...**

“...the electrical utility should not be looked upon as a reliable source of funding support for water and sewer capital needs. **But when the existing systems are so small and the potential capital needs so large, even intermittent support could be valuable. For that reason, affiliation with the Chelan County PUD might be considered a plus.”**

WVUCS Report Chapter IV.F.

OBSERVATIONS

- “...the Peshastin Water District would likely benefit from additional operational and administrative support provided by Chelan County PUD. Additionally, **District water rates would not be as susceptible to substantial changes in response to capital projects, unanticipated one-time costs, and changes to its industrial customers’ water use.**
- “The District’s recent rate restructure also aligns well with the rates currently assessed to Chelan County PUD customers, which would **moderate the effects of blending the rates of the two utilities.**
- “Based on preliminary cost estimates provided by Chelan County PUD...” a merger with the PWD “is anticipated to reduce annual costs...” for the PWD system.
- “...appears to provide very clear financial benefits to the Peshastin Water District and a relatively small impact to Chelan County PUD...”

PWD Financial Changes In 2018

As a result of new debt service and increased operating costs related to the 2017 eColi contamination control capital project, the **PWD's 2018 operating budget increased 37 percent from the prior year budget.**

Customer rates increased 25-40% in 2018 in response to the increased costs, and PWD was forced to suddenly and drastically raise rates on a population that a **2013 PUD study indicated has among the lowest per capita income in the county.**

Appraisal of Value

In **2018**, PWD’s primary engineering consultant for the past 20 years, RH2, prepared a “Planning Level Asset Review” indicating PWD total **hard assets** had a **depreciated value** of approx. **\$2.12M** and estimated **replacement value** of **\$8.76M**.



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respective ages are estimated. Best engineering judgment was used to approximate their quantity and age based on the information provided.

Table 1 - Asset Summary

Category	Original Value	Depreciation	Original Value Less Depreciation
Water Mains, In-line Valves	\$ 485,000	\$ 110,000	\$ 375,000
Pavement for New Water Main			
Services, Hydrants	\$ 494,000	\$ 193,000	\$ 301,000
Well Casings	\$ 7,300	\$ 5,000	\$ 2,400
Well House and Appurtenances	\$ 505,000	\$ 84,000	\$ 421,000
Reservoirs	\$ 1,333,700	\$ 345,700	\$ 988,400
Booster Station	\$ 22,000	\$ 3,000	\$ 19,000
Pressure Reducing Station	\$ 16,000	\$ 2,000	\$ 14,000
Total:	\$ 2,863,000	\$ 742,700	\$ 2,120,700

The original value column in Table 1 shows the known or approximated cost of the water system components at the time of installation including sales tax for the given year of improvement. Original cost does not include preparation, surfacing, and grading items. Items in each category were depreciated to illustrate current 2018 assumed value. Straight line depreciation was based on construction cost indices (CCI). Well house and appurtenances category included well houses, pumps, piping, and any other electrical equipment required in the well house.

A more detailed breakdown of the District’s reservoirs and the cost associated with them is shown in Table 2.

Table 2 – Reservoir Asset Summary

Reservoir	Year	Original Value	Depreciation	Original Value Less Depreciation
Tank A	1985	\$ 139,300	\$ 92,000	\$ 47,400
Tank A Improvements	2015	\$ 20,600	\$ 1,300	\$ 19,400
Tank B	1985	\$ 39,300	\$ 92,000	\$ 47,400
Tank B Improvements	2015	\$ 20,600	\$ 1,300	\$ 19,400
Upper Reservoir	2003	\$ 409,300	\$ 122,800	\$ 286,500
Tank C - Lower Zone Reservoir	2015	\$ 604,600	\$ 36,300	\$ 586,300
Total:		\$ 1,333,700	\$ 345,700	\$ 988,400

Table 4 –Asset Replacement Value Summary

Category	Replacement Value
Water Mains, In-line Valves	\$ 1,422,000
Pavement for New Water Main	\$ 697,000
Services, Hydrants	\$ 927,000
Well Casings	\$ 157,000
Well House and Appurtenances	\$ 748,000
Reservoirs	\$ 2,322,100
Booster Station	\$ 39,000
Pressure Reducing Station	\$ 29,000
Total:	\$ 6,341,100

WSST (8.2%)	\$ 520,000
Total Construction Cost	\$ 6,861,100
Design Engineering and Bidding Services (15%)	\$ 951,200
Construction Engineering and Administration (15%)	\$ 951,200
Total Replacement Cost Estimate:	\$ 8,763,500

PWD total water rights, in 2018, were estimated to be worth approximately \$2.25M to \$3.0M.



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A high-level paper review of the District's water rights was conducted concluding that the District has several water rights totaling a combined Qi of 1,075 gpm and Qa of 751 afy. A portion of the water rights have yet to be perfected but are on a reasonable construction schedule. A more in-depth review of these rights would be recommended to be performed prior to any final action. For this planning level asset review it was assumed that the entire Qa of the water would be perfected and available. A range of sales history for the open market has assumed that 1-acre foot of water would likely be valued between \$3,000 to \$4,000 dollars per acre foot. This water right quantity would translate to an asset of an estimated \$2.25M to \$3.0M.

In summary, the current water system hard assets (not including water rights and district debt) are estimated to be approximately \$2.12M. The replacement costs, if the system were to be replaced today is estimated to be \$8.76M. Water rights assets are estimated to be worth approximately \$2.25M to \$3.0M. These figures provide the District a planning level asset assessment range in which the system can be further evaluated as required. Please let us know if any further detail is required or if any additional breakdown is necessary.

Sincerely,

RH2 ENGINEERING, INC.

Don Popoff, P.E.

DP/kj



According to PUD staff report, current third party assessed value of “**excess**” PWD water rights have been estimated to be **~\$1M.**



STATE OF WASHINGTON
DEPARTMENT OF COMMERCE

1011 Plum Street SE • PO Box 42525 • Olympia, Washington 98504-2525 • (360) 725-4000

October 14, 2021-REVISED

Steve Keene, General Manager
Peshastin Water District
PO Box 751
Peshastin, WA 98847

Dear Mr. Keene:

Congratulations! Governor Inslee signed the 2021-2023 State Capital Budget, which includes the approval of the Infrastructure Projects list providing a direct appropriation for New Well for the Community of Peshastin in the amount of \$1,100,000.00. The Department of Commerce, which will administer the project, will retain three percent to cover our administrative costs through the extended period of performance to December 31, 2026. Accordingly, your net grant award will be \$1,067,000.00.

Funding for the Infrastructure Projects is made available utilizing the state's Coronavirus State Fiscal Recovery funds through the federal American Rescue Plan Act (ARPA). *The Washington State Office of Financial Management has submitted the state's plan for these funds to the US Department of Treasury and provided Commerce authorization to release funds for your project.*

Prior to executing a contract and receiving funds, your organization will need to fulfill the following requirements:

- Provide documentation of your organization's financial ability to complete the project. All funds must be expended, raised, or secured by documented pledges or loans.
- Any property relevant to the project must be owned or secured by a long-term lease that remains in effect for a minimum of ten years following the final payment date. For nonprofit grantees, a lien on owned property is also required when receiving grants over \$500,000.
- Prevailing wages must be paid for all construction labor costs.
- All projects must be reviewed by the Washington State Department of Archaeology and Historic Preservation and any affected Tribes in accordance with Governor's Executive Order 21-02.
- Your project may also need to comply with LEED, the state's green buildings standards (RCW 39.35D).

Soon you will receive the Infrastructure Projects Interim Program Guidelines and Contract Readiness Survey to assist you with the process. Upon receipt of the Contract Readiness Survey form please complete and submit as soon as possible. The contracting process is not initiated until a completed Contract Readiness Survey is submitted.

If you have any questions or need additional information, please contact me at 360-704-9435 or email connie.rivera@commerce.wa.gov or our Project Manager, Lena Moore at 360-280-4729 or email lena.moore@commerce.wa.gov.

Sincerely,

Connie Rivera, Infrastructure Section Manager
Community Assistance & Research Unit

Grant Funding

- In 2021, PWD was awarded a \$1.1M federal grant toward construction of a new well.
- PUD requested PWD to decline the grant due to fact that continuing federal requirements could ultimately cost more than the grant.
- PWD declined the grant in December 2023, as requested.
- PUD Staff & Commissioners have explained why the federal grant was not beneficial for local control and had unending requirements for the life of assets.
- PUD will continue to seek other grant and loan funding.

PWD cash assets as of January 17, 2024, including reserves, total approximately \$226,039.00 plus additional revenue for the next two months should supply sufficient funds to pay the remainder of the USDA Rural Dev. loan.

Revenue continuing **at the current PWD/PUD rates** are more than sufficient to continue to pay off the Banner Bank loan (**warehouse tank surcharges pay most of that monthly payment**) and possibly any additional loan needed to pay for a new well.

PWD Assets & Liabilities - Cash Only - As of 1/17/2024

Account	1/17/2024 Balance
ASSETS	
Cash and Bank Accounts	
400 Short-term Liabilities	-5,900.41
501.1110 PWD Cash-GL-Maintenance A...	23,181.83
501.11170 Petty Cash	184.52
501.11800 Cash Reserve Investments	26,350.93
525 Rural Dev - Reserve	35,913.55
527 Banner Bank Bond 2014 - Reserve	84,590.02
530 PWD Emergency Reserve	40,236.91
540 PWD Capital Facilities Reserve	21,943.54
TOTAL Cash and Bank Accounts	226,500.89
Other Assets	
Deposits on Account	-461.75
TOTAL Other Assets	-461.75
TOTAL ASSETS	226,039.14
LIABILITIES	
Other Liabilities	
520.25111 Rural Dev Bond 2003	267,612.26
523.25111 Banner Bank Bond 2014	670,033.77
TOTAL Other Liabilities	937,646.03
TOTAL LIABILITIES	937,646.03

PWD Approximate Outstanding Loan Principals

		October 2018	January 2024
✿ RCAC	5.00%	\$105,448.00	\$0.00
✿ Banner Bank	3.21%	\$939,688.00	\$670,034.00
✿ PWTF	0.5%	\$102,325.00	\$0.00
✿ USDA	4.25%	\$366,855.00	\$267,612.00
✿ Warehouse	8.35%	\$324,172.00	\$0.00
Total Loan Liabilities		\$1,838,488.00	\$937,646.00

Early payments have been made on these loans to reduce debt load and reduce interest costs. These payments were made at the current PWD rate levels and eliminated \$636,312.00 of debt over the last 5.5 years.

Current cash reserves will eliminate approximately an additional \$222,000.00 of debt.

Comments from Public Meeting 1/17/2024

- Community members believe the value of PWD hard assets should be considered more fully.
- More weight should be given to not only the current but also future value of “excess” water rights.
- How long would Peshastin have to be part of the PUD system before being vested toward future capital project costs being part of normal rates? Peshastin is already part of the PUD customer pool for power & sewer.
- Consider the cost savings of running the PWD as part of the larger PUD and the amount of debt reduction the PWD has already accomplished in the past 5 years with its current rate structure.
- Start of any rate adder should not begin until actual capital improvement projects have been started and financing applied.
- Financial ability of residents and fruit warehouses.
 - Warehouses, as largest water customers, need to remain viable businesses.
The entire fruit industry is struggling.
 - 2013 PUD Median Household Income Survey.
Peshastin is among the lowest per capita income communities in the county.

WVUCS Report Chapter II.C.1:

Capital Planning and Investment - Taking Turns

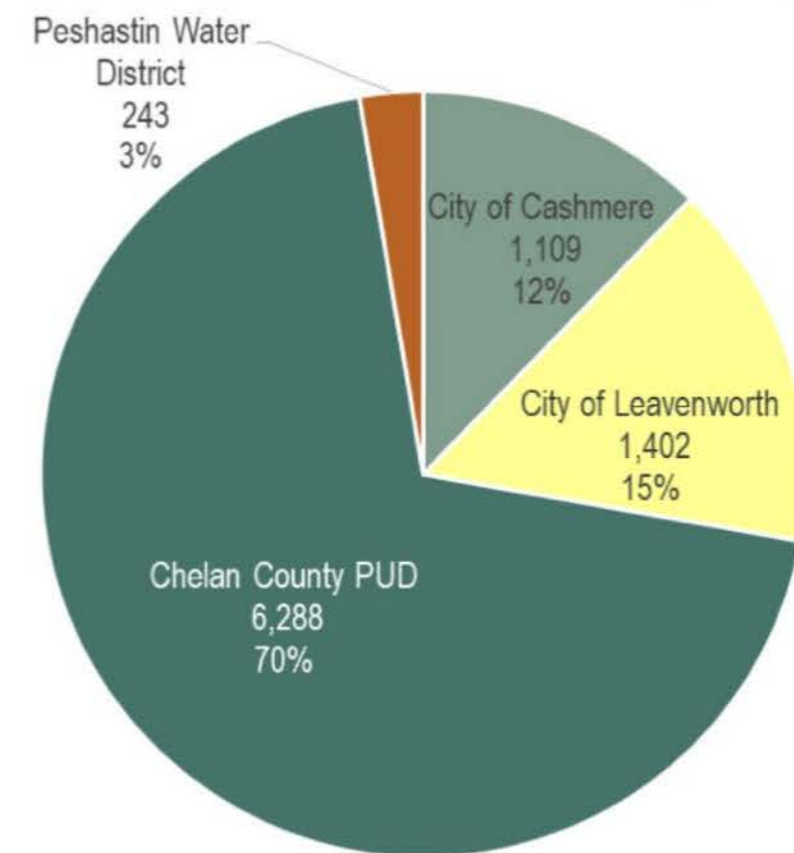
“With a larger utility, there can be system wide planning on a larger scale, and ratepayers can “take turns” for competing capital needs to be addressed...”

PWD has approximately 187 residential connections.

A proposed \$17.00/ month rate adder equals ~\$3,179. If this amount were shared among approximately 7,000 customers, the monthly charge would amount to ~.45¢/customer.

PWD requests the PUD Commissioners to consider whether a rate adder is actually necessary, and if it is, that it be incrementally applied.

2016 Water Customer Accounts by Agency





Questions & Discussion