



October 4, 2016

Dear Customer,

In February, 2016, the Mt. Werner Water and Sanitation District (District) contracted with Raftelis Financial Consultants, Inc. to perform a Utility Rate Study. The main objective of the study was to develop a 10-year financial plan for water and wastewater services and plant investment fees. The plan identifies future revenue requirements necessary to fund improvements at facilities resulting from regulatory mandates, finance projects identified in our 10-year Capital Improvement Plan (CIP) and cover increases in operating costs.

Following the recommendations from Raftelis, the Board of Directors (Board) will consider increasing the District's water service fees, wastewater collection charges and plant investment fees at its next regular meeting scheduled October 21, 2016. The proposed rates would go into effect January 1, 2017. Current water rates went into effect January 1, 2012.

We need to raise our rates for several reasons:

1. Regulatory requirements – due to the Colorado Department of Public Health and Environment's recent reclassification of the raw water source from the Districts wellfields, additional filtration and disinfection will be added at the Yampa Wellfields Treatment Facility. The new infrastructure must be installed by the summer of 2018 and is estimated to cost 1.75 million. This new requirement impacts many water districts across the state, including Mt. Werner and the City of Steamboat Springs.
2. CIP projects – over the next three years, the annual cost to upgrade and or replace water and wastewater collection main lines and infrastructure equals approximately 1.0 million.
3. Increased operating costs – the additional funds generated will primarily cover annual inflationary increases since 2012 and support the on-going replacement of aging infrastructure.

Under the proposed increases, service charges for water and wastewater collection would increase at a nominal rate in each of the next three years.

Base Charges:

Water - for residential and commercial customers, the water base charge would increase annually an average of \$1.81 per quarter.

Wastewater Collection - for residential customers only, the wastewater collection base charge would increase annually an average of \$1.48 per quarter. Commercial customers do not pay a wastewater collection base charge.

Volume Charges:

Water - The District will maintain the existing three ascending tiers in its residential rate structure. Water volume increases for residential customers over the next three years range from \$.05 per cubic meter within the lowest tier to \$.16 per cubic meter within the highest tier. There are 264.17 gallons in a cubic meter. Water volume charges for commercial customers will increase \$.08 per cubic meter per year. Commercial customers pay a uniform rate per cubic meter and are not associated with a tiered rate structure. The Board and Staff continue to strongly support and implement objectives of the 2011 Water Conservation Plan and the tiered structure motivates customers to conserve water in an effort to remain in the lowest tier.

Wastewater Collection - the current volume rate of \$0.20 per cubic meter for commercial wastewater collection customers would not change. Residential customers do not pay wastewater collection volume charges.

Please review Tables 1 and 2 detailing existing and proposed water and wastewater collection rates for all customer classes.

Plant Investment Fees:

Plant Investment Fees (PIF) are assessed on all new developments and construction, including new uses; remodels, additions etc. The fees help cover the additional costs new developments and uses place on current and or future water and wastewater collection facilities. The new proposed fees are identified below:

Water - in 2017, the cost per fixture point for plant investment fees will increase \$4.60; from \$35.20 to \$39.80. An inflationary increase of 2% will be charged each year thereafter.

Wastewater Collection - in 2017, the cost per fixture unit will not change. An inflationary increase of 2% will be charged each year thereafter.

Wastewater Treatment (City of Steamboat Springs):

The City of Steamboat Springs is the vendor that provides wastewater treatment for Mt. Werner Water customers as a pass-through charge. It has the power to set rates for its wastewater treatment services outside its service area including within the boundaries of the District. The City recently completed a similar Utility Rate Study. On September 13, 2016, per a recommendation from the Cities consultant, City Council directed City Staff to create an Ordinance increasing the wastewater treatment rates to wholesale customers. The District is considered a wastewater treatment wholesale customer of the City, thus the Ordinance, if approved, would affect District customers. The District invoices and collects wastewater treatment fees on behalf of the City on a quarterly basis. The Ordinance requires two readings by Council to be approved. The first reading is October 25, 2016 and the second reading is November 15. If you wish to express your views on the proposed wastewater treatment rates, this will be your opportunity to do so. If passed, the effective date for the proposed wastewater treatment increase is January 1, 2017.

The proposed City wastewater treatment fee increases are as follows:

<u>Residential customers base charge:</u>	<u>Commercial Customers volume charge:</u>
2016 - \$33.75/quarter	2016 - \$1.265 per cubic meter
2017 - \$36.54/quarter	2017 - \$1.445 per cubic meter
2018 - \$39.54/quarter	2018 - \$1.638 per cubic meter
2019 - \$42.75/quarter	2019 - \$ 1.844 per cubic meter

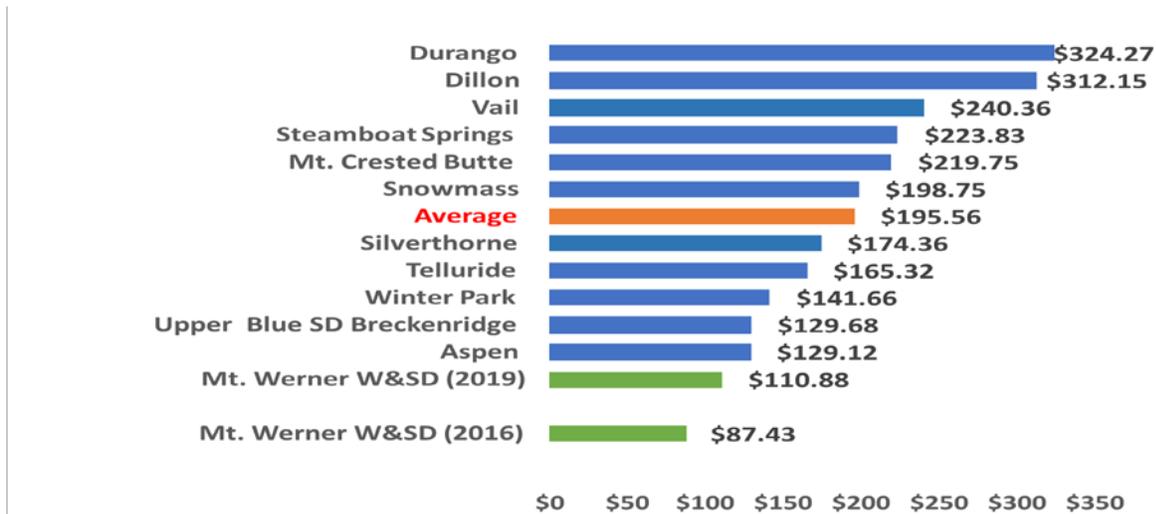
Wastewater Treatment Plant Investment Fees (City of Steamboat Springs):

The City also controls the setting of Plant Investment Fees for wastewater treatment. The District collects the wastewater PIF on behalf of the City. The proposed new wastewater PIF will increase \$2.49 per fixture point; from \$36.65 to \$39.14.

Water Cost Comparison with other Colorado Communities

The graph below compares the Districts existing and proposed rates (for year 2019) to other resort communities in Colorado and illustrates the estimated impact on an “average” consumer. We are pleased to maintain the District’s rate structure as one of the lowest in the state.

**2019 Water and Wastewater Rate Survey – 79.49 Cubic Meters
Quarterly Rate Comparison – Colorado Cities**



The Board and Staff remain committed to our mission, “providing our customers the highest quality and most cost-effective water and wastewater services in compliance with all applicable Federal and State laws and regulations while preserving public health, protecting the environment, and ensuring the utmost customer satisfaction”. In this age of conservation awareness, we continue to focus on water conservation, inspire everyone to consider the value of our water resources and ask that our customers make wise water-use decisions every day.

The board meeting to discuss the new rate structure begins at 8 a.m. October 21st at the Fish Creek Filtration Plant, and it is open to the public. Anyone with questions about the new rate structure is encouraged to call 970-879-2424.

Also, customers can visit www.mwwater.com to review the proposed rate structure, obtain a list of water conservation tips and read the Water Conservation Plan.

Table 1

Existing and Proposed Water Rates

Description	Existing	Proposed		
	2016	2017	2018	2019
Quarterly Service Charge				
Residential / Commercial /Combined	\$21.84	\$23.59	\$25.48	\$27.26
Volume Rate per Cubic Meter				
Residential / Combined-Res				
0 – 75	0.28	0.30	0.31	0.33
76 – 420	0.45	0.48	0.50	0.53
>420	0.90	0.96	1.01	1.06
Commercial / Combined-Comm	0.42	0.50	0.58	0.66
Multi-Family Irrigation	0.45	0.48	0.50	0.53
Commercial Irrigation	0.45	0.52	0.58	0.66

Table 2

Existing and Proposed Wastewater Rates

Description	Existing	Proposed		
	2016	2017	2018	2019
Quarterly Service Charge				
Residential / Combined	\$8.82	\$10.18	\$11.70	\$13.26
Volume Rate per Cubic Meter				
Commercial / Combined	0.20	0.20	0.20	0.20

Sincerely,



Frank Alfone
General Manager

CC: Board of Directors