



TOWN OF BARGERSVILLE

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POWER & LIGHT • WATER WORKS • SANITATION DEPARTMENT • STORM WATER

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Bargersville Water Utilities wants to thank all those who attended the Public Hearing on August 24 concerning the Water rate consideration for the construction of a new Water Treatment Plant. There were many who spoke of their concerns and offered suggestions on the possibility of the delay of construction. After researching those suggestions or questions, we would like to provide the public with a response, listed below are those answers.

- 1) **Alternate Source for Peak Demand:** The only water company near enough to us to provide such a source is Indiana American Water. There are significant cost disadvantages to connecting to this alternative water supply including the following:
 - a. Indiana American does provide "Standby Service" but their "Standby Demand" rate approved by the IURC would require a payment of approximately \$600,000 per year to reserve a peak demand capacity of 2,000,000 gallons per day (which is the amount that would be needed). The annual payment would support a \$6,000,000 bond issue. The \$600,000 does Not include the cost of any water purchased from Indiana American.
 - b. Approximately \$2,000,000 of new water mains and two (2) booster-pump stations would be required to connect the supply to Bargersville's system.
 - c. Indiana American water is not softened, so customers may have to purchase water softeners to remove hardness. Bargersville water is already softened.

- 2) **Conservation to Relieve Capacity Issues:** Conservation cannot address all of the following water needs facing Bargersville:
 - a. Existing water commitments are already in place.
 - b. Future growth is important to grow the tax base as well as share in the cost of providing utilities. Future growth and development are important considerations, but they are not the only considerations.
 - c. Flow limitations exist in parts of the water distribution system. The south end of the water system is already at capacity.
 - d. Conservation can help reduce the growth in the demand on the water supply. However, planning for the future requires evaluating the current and historical water demands to project future needs.
 - e. The impact of conservation is not a fixed value that can be used in planning.
 - f. A conservation program would likely include a ban on non-essential water uses to include sprinkling, requiring extensive policing that is not practical for Bargersville to implement. Bargersville also has no effective ability to enforce these sorts of restrictions outside its boundaries.

- 3) **Increase System Development Charges (Availability Fees):** Consideration of the adjustment of this rate for the future will be done in the same aspect with all other rates but will not help fund the current project:
 - a. These fees have been in place for a number of years and were originally approved by the IURC
 - b. New customers connecting to the system only pay them. Consequently, increasing the fee now will not bring in additional revenue until new customers connect. The Utility must have its total funding in place before construction contracts can be signed.
 - c. Accumulated funds from these fees have been used to pay for much of the project development costs incurred to date reducing the size of the proposed bond issue.
 - d. These fees will likely never completely offset the need for debt financing. A fee high enough to avoid the need to borrow money would likely be cost prohibitive and would eliminate any potential customer growth.
 - e. Impact Fees are covered by a different law, which does not apply to this project and is very difficult to implement. Even where impact fees are charged, it is an arduous and expensive process to set up.

- 4) **Progressive Rates to Promote Conservation and Generate Greater Funds:** The rate structure is the same one that was approved by the Indiana Utility Regulatory Commission (IURC) several years ago after IURC review. The structure has gone through an independent review already. The following information also supports not changing the rate structure right now:
- a. Changing the rate structure at this time will delay the project, potentially costing ratepayers hundreds of thousands of dollars.
 - b. There is no historical basis for a different rate structure at this time.
 - c. An updated "Cost of Service Study" will be done within a year or so after the project is complete. An updated rate structure based upon actual use of the new facilities can be done at that time.
 - d. There is no guarantee that a different rate structure would alter residential customer bills in any significant manner.
 - e. While there is a decline in the price after 20,000 gallons of usage for non-sprinkling customers, this level of consumption is rarely reached by residential customers. The price reduction in the rate structure exists to reflect the more ratable usage patterns of commercial and industrial customers. All consumption for residential sprinkler customers is billed at one rate per 1,000 gallons without any price reduction.
 - f. Phasing in the proposed rates is not an option at this time because the Utility needs an increase regardless of the project. In addition, outstanding bond covenants that must be met and the structure of the proposed debt mean a rate phase-in is not an alternative that can be considered.
- 5) **Operate Plant at maximum for greater number of days until construction is needed,** IDEM (Indiana Dept of Environmental management) would not allow this. It also is not practical for general operation; one would not run their car at maximum speed for 24 hours a day, 7 days a week. Equipment starts to fail, and eventually the entire system collapses. Several capacity levels of operation have been discussed. The levels are as follows:
- a. Design Capacity (After Backwash) (approved by IDEM): 5.0 MGD
 - b. 90% Design Capacity (level where new design and construction should occur): 4.5 MGD
 - c. Days Where 90% of Design Capacity has been exceeded:
 - i. 2007 – 87 days
 - ii. 2008 – 34 days
 - iii. 2009 – 15 days
 - iv. 2010 – 33 days so far, August average daily production was 5.1 MGD, 9 of those days production was greater than 6.0 MGD, 3 of those 9 production days was greater than 6.4 MGD.

The historical information shows the impact of wet weather and current conservation with a slower economy. However, the existing water treatment plant is still operating at or over its design capacity for extended periods. Short-term pumping rates are higher than 5 MGD, but operating the water treatment plant near or at design capacity for long periods is not prudent.

Inadequate water supplies force the limiting or the stopping new connections to system. New businesses and residents would locate elsewhere. Typically, communities with inadequate water supplies begin to lose existing businesses and residents, eroding the tax base for communities and schools.

- 6) **This would not be approved if we were still in the IURC:** Bargersville followed the same criteria of Engineering and Financial justification required by the IURC. The same methods of calculation for a rate study were used in this case. The Town saved time and money by not having to present a rate case to the IURC. Avoiding these time delays and costs is why many Indiana communities have withdrawn from the IURC.
- 7) **Annexation is the reason for the new water treatment facilities:** The need for a new water treatment plant is not related to the proposed annexation:
- a. The town currently provides water outside of its corporate boundaries. Annexation is not required.
 - b. The town was already looking to construct a new facility years before the current annexations were considered.
- 8) **Grants and stimulus funds:** The Town investigated the possibility of obtaining grants and/or stimulus funds for the project:
- a. The project does not qualify for grants because the income level of the utility customers is too high.
 - b. Most stimulus funds for utility projects in Indiana were distributed last year. The Town's project was still being designed and was not at a point to seek funding at that time.