

Water & Wastewater Rate Increase January 1, 2010

The Holland Board of Public Works Board of Directors had a joint study session with the Holland City Council on Monday, November 16, 2009 regarding the water and wastewater utilities. This was an informational meeting where the HBPW presented viable materials and options to overcome a continual loss of revenue for both utilities. An outside consultant firm was hired to help determine the true cost of serving the customer for both utilities. The new rate structures were recommended so that both utilities will gradually achieve its financial health. This will allow the utilities to better serve its customers.

The Holland Board of Public Works Board of Directors and the Holland City Council approved the new rate structures for both utilities on December 7, 2009 and December 16, 2009 respectively with an effective date of January 1, 2010.

Frequently Asked Questions:

Q: Why is a water and wastewater rate increase necessary?

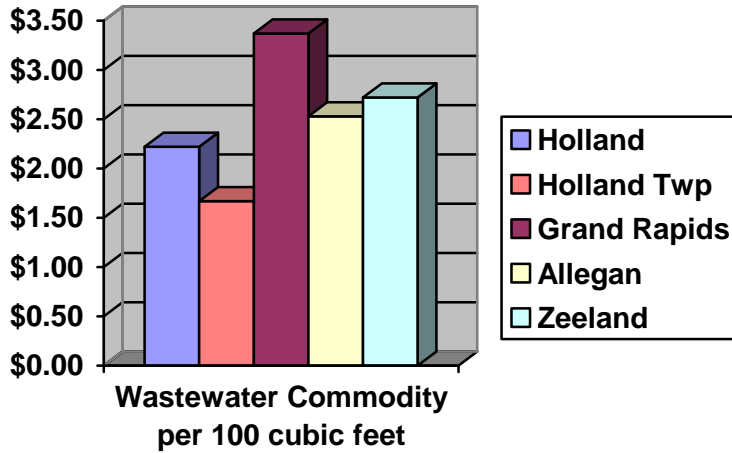
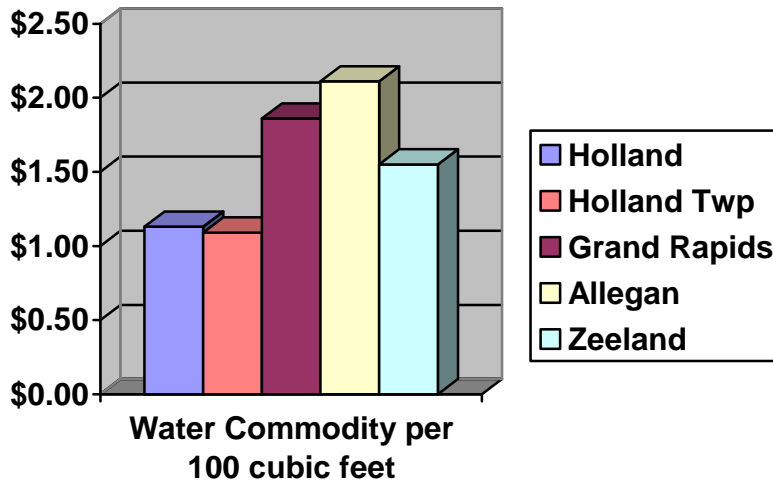
A: The HBPW recently conducted a Cost of Service Study that highlighted the need for rates to cover the operating cost of each utility. In past years, the utilities have been able to rely on investment income as compensation for the shortfall in operating income. As investment income continues to decline, the water and wastewater utilities need to cover the increasing cost of chemicals and materials required to operate the treatment plants and maintain the water mains and collection system. Part of the mission of the HBPW is to provide reliable service; one aspect of providing this reliable service is to meet the capacity needs of customers.

Q: What has the HBPW done to prevent or reduce water and wastewater costs?

A: The HBPW is continually working to reduce expenditures within the utilities. HBPW participates in co-op purchases of chemicals and materials with other entities. There is also an on-going effort to reduce costs by implementing conservation and efficiency principles.

Q: How do HBPW water and wastewater rates compare with neighboring areas?

A: Over half of the water distribution system is over 30 years old and much of the sanitary sewer collection system is over 25 years old. Parts of the system are over 100 years old! Surrounding areas have systems that are much younger. The HBPW invests a significant amount of capital each year to maintain and replace the aging system, where surrounding utilities may not yet need to. Even with large repair and replacement costs, the HBPW new rates are very competitive to the 2010 rates of the surrounding areas. The graphs below are comparison of commodity rates for both utilities to its surrounding communities. *These rates were in effect as of January 1, 2010 and should be used as informational purpose only*. Current rates information is deemed reliable, but not guaranteed.* For more and up-to-date information of the surrounding community rates please contact or visit their websites.



**Information sources were from each community's websites.*

Q: What changes are in the new water utility rates?

A: The changes included the elimination of the current "Customer" charge and implemented the "Readiness to Serve" charge based on meter size. There is a modest increase in the commodity charge for water and wastewater usage. This structure provides a means of recovering the costs associated to serve customer with different capacity needs and minimize the cross customer class subsidization. Even though you may conserve and use less, your meter determines the capacity that you can use which can determine what the peak demand of the system is.

Below is a table that outlines the capacities of different sized meters:

<u>Meter Size</u> (diameter in inches)	<u>Flow Capacity</u> (gallons per minute-GPM)
5/8"	20
3/4"	30
1"	50
1 1/2"	100
2"	160
3"	350
4"	600
6"	1500

Q: What do you mean by cross customer class subsidization of capacity?

A: Cross customer class subsidization is when one group of customers is paying more than their share to cover the cost of another group of customers. It costs more to serve a customer with a larger meter because a larger infrastructure is needed to serve them when they want as much water as their meter can handle. Below is a table of the water utility showing the previous and the new rate structure that minimizes cross customer class subsidization.

<u>Meter Size</u>	<u>Current Rate</u>	<u>New Rate</u>
5/8"	\$5.82	\$5.99
3/4"	\$5.82	\$7.44
1"	\$5.82	\$13.23
1 1/2"	\$5.82	\$23.00
2"	\$5.82	\$35.20
3"	\$5.82	\$68.07
4"	\$5.82	\$121.52
6"	\$5.82	\$254.90

Q: When did the rate increase take affect?

A: The rate increase is effective on January 1, 2010.

Q: Does that mean the seasonal rates for water and minimum charge for wastewater is no longer in effect?

A: Yes, we have eliminated the concept of seasonal rates (which previously applied to the water utility). The minimum charge for wastewater has also been eliminated and is now a readiness to serve charge based on the meter size. We promote conservation by encouraging customers to install meters that are the appropriate size for their needs.

Q: What can customers do to keep their water usage down and thus keeping their cost down?

A: Customers can go to our website to create a Water Efficiency Profile from [Water Depot](#). This will provide you with information about your annual water usage and costs for each area of water use in your home. Our website also contains water saving tips on our [Water Conservation](#) web page. Customers can learn about the importance of checking for [water leaks](#) and how to [read your meter](#).

Q: How much will the bill increase for an average single family residential customer with a 5/8" meter?

A: The average single family residential customer's monthly water usage is 9 units (measured in 100 cubic feet which is approximately 6,732 gallons). The average single family residential water customer will pay \$16.16 a month, an increase of \$2.24. The average wastewater bill will be \$24.72 a month, an increase of \$4.74. These numbers are calculated using averages, the actual change in a customer's monthly bill would be dependent upon the size of the meter they have and the amount of water they use.

Q: How would commercial/industrial charges change?

A: Commercial and Industrial customers may see a larger percentage increase in their bill. The reason is they have larger meters that require HBPW to reserve more capacity for them. The "Readiness to Serve" charge for a 4" water meter, as an example, would be \$121.52. Previously, the customer charge was \$5.82 (the same as a residential customer). Based on the Cost of Service Study this is an appropriate rate that covers the cost of that capacity reserve.

Q: How do I go about decreasing my meter size?

A: A customer may schedule an appointment with HBPW to install a smaller meter. In most cases, the customer's plumbing will accept a smaller meter without any plumbing changes. HBPW has adapters that can be added to the smaller meter so that it fits in most customers' internal plumbing. HBPW will charge a fee per meter location for this work. The current fee is between \$45 and \$60 depending on meter size. For existing meters larger than 1-inch, it will be more likely that a plumber hired by the customer will be required to adjust the customer's plumbing to receive the smaller meter.

Q: Are there resources for customers who are not able to pay their water/wastewater bills?

A: Yes, there are many resources available.

- Community Access Line of the Lakeshore (Dial 2-1-1) – 877-211-5253
- Allegan County ACRDC – 616-673-5472
- Community Action Agency – 616-393-5697
- Good Samaritan – 616-392-7159
- Ottawa County DHS – 616-394-7200
- Salvation Army – 616-392-4461