

Notice is given that the CSWD Board of Directors is considering the following and we invite public comment, preferably in writing, on these proposals between now and the October 13<sup>th</sup> regular Board meeting:

**Notes:**

The Board directed us to look at the EQR conversion schedule and the tiered rates for commercial accounts to assess whether any changes should be made. To do so, we reviewed the rules and regulations, the metering data we have, the concerns about our tiered rates for commercial accounts, and La Veta's conversion schedule and rate structure. Then we discussed whether any changes should be made to our rate structure and, if so, why and how.

As a group, we seemed to reach a consensus on the following items:

1. Our schedule for converting defined use into EQRs, which is based on the average amount of water allocated to a single-family residence per year (80,000 gallons), may not be the best measure because our facilities have to be designed and operated to meet peak demands. However, based on the metered usage data we have, it appears that our conversion schedule reasonably differentiates user classes within our District. Until we have better District-specific usage data (which we think should occur as described below), the majority of the participants do not feel any change in the conversion schedule (including a substitution of La Veta's schedule) is warranted at this time.

2. The tiered rates for commercial accounts appear to have been based on the potential for higher per EQR peak loading by the commercial accounts, which could result in greater impacts on the District's system. With the data we have, you can actually see higher peak monthly loadings with some accounts but not with others. Thus, we generally think the tiered rates for commercial accounts may still be valid for some or all of the commercial accounts. But, there is some uncertainty, and we would prefer to have additional data on the peak usage characteristics of the commercial accounts as well as the residential accounts before continuing the tiered rates for commercial accounts.

3. If we suspend the tiered rates for commercial accounts, then all customers will pay a uniform per EQR service charge times the number of EQRs assigned to each customer's defined use which, in turn, will reduce the District's revenue by about \$8,600 per year. In order to address this shortfall, the District will either have to cut its expenses (without diminishing the quality of services) and/or increase the per EQR service charges.

Based on the above, the group is proposing that the Board consider the following actions:

a. A suspension of the tiered rates for commercial accounts for up to 3 years to give the District time to obtain additional data on usage, both average and peak, of commercial and residential accounts. During that time, everyone would be charged based on a uniform charge per

EQR and would also be assessed the excess charge for using more than 80,000 gallons per year per EQR.

b. Adoption of, and funding for, an improved metering and monitoring program that will enable the District to obtain that additional data on usage. We recognize the need for this data, but implementation of a District-wide metering program is expensive and could lead to the requirement to charge additional monthly fees per EQR to fund the cost.

c. A review of the proposed Preliminary Engineering Report (PER) and Cost of Service Rates Study (when they are available) to identify potential reductions or postponements in expenses that could be made without diminishing the quality of service in an attempt to “phase-in” rate increases gradually over time as opposed to having them spike in certain years.

d. An increase of the per EQR service charge to account for: the proposed suspension of the tiered rates for commercial accounts, the cost to phase in an expanded metering and monitoring program, and the cost of implementing a cost-effective capital improvement program.

e. A scheduled review of the EQR conversion schedule, the rates for all account classes/defined uses and the per EQR service charge at least every 3 years.

f. Form a citizen advisory committee of 6-10 residents. The committee should include a homeowner, a condo owner, a business owner, hotel/inn owner, etc. The committee would meet and do workshops with CSWD staff, attorneys and consultants to learn as much as possible about the needs of CSWD and its customers.