

## WaterOne Customers Expect and Deserve High Levels of Service

On a recent survey, WaterOne customers indicated a 92% approval rating for services they receive. They rated water quality, safety, availability and price as most important to them.

To maintain a safe, reliable and economically sound system, it is important to reinvest in our infrastructure. Our water system is reaching an age where improvements are becoming necessary to ensure continued reliability in the future. New regulatory requirements must also be met to

meet state and federal standards for safe drinking water. To fund these programs, a water rate increase of 4.9% was implemented on January 1, 2005.

WaterOne customers have enjoyed very stable rates in recent years. Their cost of water has remained well below the rate of inflation for the K.C. metropolitan area. WaterOne's rates have increased an average of less than 1% per year since 2000, though inflation in this area has increased an average of 3.34 % during the same period.

Many cost savings measures have been implemented by WaterOne management to hold daily operating costs to a minimum. We are making strong productivity gains and have had reductions in our overall headcount for the past two consecutive years. Be assured that as we move into a new era of capital improvements, we will continue to evaluate programs that result in long-term gains for the utility and our customers.

### Water Rate Increase Necessary to Fund Capital Improvements

On January 1, 2005, a 4.9% water rate increase was implemented. Following are questions and answers about the increase and related projects.

**Q: How much will the average customer pay as a result of the water rate increase?**

**A:** The typical residential customer's water bill will show an average increase of \$1.28 per month, or \$2.56 per bi-monthly bill.

**Q: When was the last water rate increase?**

**A:** WaterOne has not had a water rate increase in 6 of the last 7 years. The last increase went into effect January 1, 2000.

**Q: Why is the water rate increase needed?**

**A:** The water rate increase will allow WaterOne to continue to maintain a safe, reliable, and economically sound system. Capital expenditures are the key drivers of the 2005 increase. Additional funding is necessary to meet regulatory requirements and to allow us to reinvest in our infrastructure.

Due to numerous cost savings initiatives implemented by WaterOne management, daily operating costs per customer are projected to increase less than  $\frac{1}{2}$  of 1% in 2005, which is far less than the rate of inflation.

**Q: What are some of the projects that will be paid for by the water rate increase?**

**A:** WaterOne is keeping pace with community growth and responding to new regulations. Several programs are

scheduled to be implemented that will have a positive impact on WaterOne's overall efficiency and level of service to its customers. Some of these projects include:

- Implementation of an Asset Management Program to proactively plan for the replacement of water main infrastructures. Planned renewal and replacement is much less costly than emergency replacement. In the long run we all benefit.
- Replacement of 20-year old legacy computer systems to position WaterOne to serve customers better and increase productivity.
- Enhancements to WaterOne's water treatment processes to meet Safe Drinking Water Regulations. These regulations require the hiring of an additional chemist.
- Improvements to the Kansas River Intake that will reduce taste/odor problems throughout the utility's service area.

#### WaterOne has spent millions of dollars to fund recent projects *without* a water rate increase:

- Over \$2 million was spent for the purchase and installation of pumps at the Missouri River Intake to improve low river pumping capabilities when extremely low river conditions exist.
- Over \$1 million was spent on emergency repairs to the Kansas River jetty to keep our facilities operable. Other significant improvements have also been made to the Kansas River treatment facilities.
- A new guard building and secure entry gates were constructed at the entrance of WaterOne's treatment facilities due to increased security requirements.
- A \$2.8 million program is being implemented to convert commercial accounts to automated meter reading. This program will result in more efficient use of manpower and reduction in staff.
- As a result of increased governmental regulations, WaterOne conducts hundreds of additional lab tests each month. This necessitated upgrading the utility's laboratory facilities and required the purchase of additional laboratory equipment.

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**Q: Why is it necessary to implement the Asset Management Program at this time?**

**A:** WaterOne's distribution system is reaching an age where the utility needs to be proactive. Beginning the process of identifying and replacing aging infrastructure will help minimize future service delivery problems and hold down costs to customers. Also, funding is available to take advantage of opportunities to replace or repair infrastructure when other public entities are making improvements (i.e., cities, county, state.) This, too, will ultimately reduce costs to customers.

**Q: How does WaterOne ensure that new development is paying its way?**

**A:** WaterOne has a "growth pays for growth" philosophy. A System Development Charge (SDC) is paid, by the builder, on all new service connections based on meter size.

WaterOne currently collects the full SDC cost of service to ensure those coming on to the system pay their true cost. The current SDC on a typical residential hook up is \$2,350.

In 1999, WaterOne implemented a four-step financial plan to refinance and restructure debt as part of a long-term strategy for maintaining stable water rates and avoiding wide fluctuations. As a result of this plan, debt service has been reduced, to date, by \$7.6 million.

**Q: What are some examples of how the water rate increase will help older neighborhoods as well as new development?**

**A:** WaterOne's management has a long-range financial plan to provide funding for a balance of projects that will benefit existing customers as well as new development.

The utility's Asset Management Program will directly benefit older parts of the service area. This plan for replacing and rehabilitating aging mains will help minimize loss of service due to main breaks and keep problems from developing into more serious, and costly, repairs. Improvements to WaterOne treatment facilities will also benefit existing customers by minimizing taste and odor concerns, and by meeting more stringent regulatory requirements to ensure high quality, safe drinking water.

**Q: What is WaterOne doing to control costs?**

**A:** WaterOne has taken a number of steps to hold the line on operating expenses and ensure costs are allocated equitably among customer groups.

- Overall employee head-count has *decreased* in the last two years.
- Today, 12% more customers are being served on a per-employee-basis than nine years ago. This reflects significant gains in efficiency and productivity.
- Purchase of laptop computers for field personnel has led to increased job efficiency and performance.
- Optimization of WaterOne's treatment facilities helped maximize daily treatment capacity and delayed costly construction for capacity expansion.
- Peak Management Rates (PMR) ensure that customers placing peak demands on the system pay higher rates. PMR also encourages water conservation.
- WaterOne successfully negotiated minimal increases in health insurance and workers compensation for 2004 and 2005.
- Stringent standards for fleet replacement have been adopted, maximizing the life of utility vehicles.
- Chemical costs have been significantly reduced. It is also anticipated that modifications to WaterOne's treatment operations will result in significant energy expense reductions.

## Questions?

Contact a Customer Service Representative at (913) 895-1800 or visit us on the web at [www.waterone.org](http://www.waterone.org).

