

**WaterOne
 Governing Board**

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Finance - Terry Frederick, Chairman
Operations - Dick Weisser, Chairman
Legislative - Rob Olson, Chairman

The Water Board meets the second Tuesday of each month at 7:00 p.m. at the Byron N. Johnson Administrative Headquarters and Service Center, 10747 Renner Boulevard, Lenexa. The meeting agenda can be accessed at: www.waterone.org

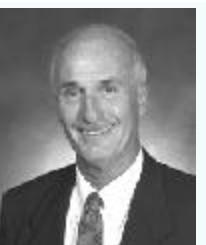
The *Pipeline* is published for our business and community partners in Johnson County. Email questions about the WaterOne Pipeline to ekoutelas@waterone.org.



Water District No. 1
 of Johnson County
 10747 Renner Boulevard
 Lenexa, KS 66219

Setting the Standard for Utility Excellence

PIPELINE



Jim Vader
 Board Chairman

Building a Better Future
WaterOne Customers Deserve Quality and Expect Excellence

Every day, WaterOne provides water to more than 370,000 individuals throughout Johnson County. Our service is reliable, safe and cost effective—and that's the way it should be.

On a recent survey, WaterOne customers indicated that water quality, safety, and availability are most important to them. Cost is also very important. Our customers have come to enjoy very stable rates in recent years. There have been no rate increases in six out of the last seven years. And, as shown on the graph on page 3, WaterOne's rates are well below this area's rate of inflation.

But there's a lot more going on than meets the eye. Today we have over 2,600 miles of distribution pipe in the ground. Parts of our distribution system are reaching an age where we need to begin reinvesting in infrastructure improvements to ensure the system's reliability for the future. To do so requires a financial investment. A proposed water rate increase in 2005 is being driven by capital expenditures for such projects.

Taking a *proactive* approach to infrastructure improvements is the most economical option. Here's another way of looking at it. Paying now to fill the cracks in your home's foundation costs less than waiting until the foundation gives way and the house's structure is damaged!

We plan for, operate, and maintain an infrastructure and organization necessary to provide a reliable and high quality drinking water supply. As we move into a new era of capital investments, customers of WaterOne can be assured its Water Board will continue to evaluate projects that provide long-term gains for the utility.

WaterOne Taking Proactive Measures to Reinvest in Infrastructure

Water utilities are facing many financial challenges. One of the most pressing issues is that of maintaining and replacing aging infrastructures.

In keeping with its goal to be proactive, WaterOne has initiated an Asset Management Program for identifying water main infrastructures that will need replacement in the future.

WaterOne is not alone in this effort. A recent report by the American Water Works Association found that spending will triple on pipe replacement nationwide over the next 30 years to maintain safe, reliable water infrastructures.

And, putting off the investment only increases future costs.

Water mains represent a significant and vital investment to



Replacement of aging water mains poses a challenge to utilities nationwide.

replacement criteria will be scheduled for replacement.

By investing in infrastructure improvement

ments now, we can minimize service delivery problems in the future. Proactive renewal and replacement saves money in the long run. Targeted renewal is much less costly than emergency repairs when assets fail.

Rate Hearing Scheduled

A public hearing concerning the utility's 2005 budget and rates has been scheduled for Tuesday, November 9, 2004, 7 p.m. at WaterOne's Administrative Headquarters, 10747 Renner Boulevard, Lenexa. The proposed budget requires a 4.9% water rate increase.

Questions and Answers About the Proposed 2005 Water Rate Increase

Q: How much is the proposed 2005 water rate increase?

A: A 4.9% increase is proposed effective Jan. 1, 2005.

Q: How much will the average customer pay as a result of the proposed increase?

A: The typical residential customer's water bill will show an average increase of \$1.28 per month.

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 Jan. 1, 2000.

Q: Why is the water rate increase needed?

A: The proposed 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 proposed 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.

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

- Over \$2 million was spent this past year 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 has necessitated upgrading the utility's laboratory facilities and required the purchase of additional laboratory equipment.

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.

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.

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.

On a recent survey, WaterOne customers indicated water quality, safety, availability and price were most important to them!

Q: Who makes the final decision about the proposed rate increase?

A: WaterOne's Governing Board is scheduled to make a final decision about the proposed rate increase at its December 14, 2004 monthly board meeting.

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.
- Improvements to WaterOne's treatment operations have resulted in significant reductions in energy expenses. Chemical costs have also been reduced.

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.

