



ORANGE WATER AND SEWER AUTHORITY

Quality Service Since 1977

AGENDA
MEETING OF THE OWASA BOARD OF DIRECTORS
THURSDAY, MAY 10, 2007, 7:00 P.M.
OWASA COMMUNITY ROOM

In compliance with the "Americans with Disabilities Act," interpreter services are available with five days prior notice. If you need this assistance, please call the Clerk to the Board at 537-4217 or aorbich@owasa.org.

7:00 PM **Administer Oath of Office to Town of Chapel Hill Appointee Mr. Gene Pease**

7:05 PM **Announcements**

1. Announcements by the Chair
 - A. Any Board member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time.
 - B. Meet with Orange County Board of County Commissioners on Tuesday, May 15, 2007 at 7:30 PM in the Southern Human Services Center to discuss Proposed Rate Changes
 - C. Meet with Carrboro Board of Aldermen on Tuesday, May 15, 2007 at 7:30 PM in Carrboro Town Hall to discuss Proposed Rate Changes
 - D. Meet with Chapel Hill Town Council on Monday, May 21 at 7:00 PM at Chapel Hill Town Hall to discuss Proposed Rate Changes and Odor Elimination
2. Announcements by Board Members
3. Announcements by Staff

7:10 PM **Petitions and Requests**

1. Public
2. Board
3. Staff

CONSENT AGENDA

7:15 PM **Information and Reports**

1. [Site Cleanup at Former Ray Family Property \(Ed Holland\)](#)

Minutes (Andrea Orbich)

2. [Approval of the Minutes of the April 12, 2007 Meeting of the Board of Directors](#)

Action

3. [Resolution Authorizing Renewal of Property, Liability, Workers' Compensation, Inland Marine, Automobile, Boiler and Machinery, Crime, and Excess Liability Insurance Policies through the North Carolina League of Municipalities Risk Management Services and Public Officials Liability through American International Specialty Lines \(Kevin Ray\)](#)

REGULAR AGENDA

Discussion

- 7:20 PM 4. [Presentation and Public Comment on Proposed Changes to OWASA Rates, Fees and Charges Effective October 1, 2007 \(Kevin Ray\)](#)
 - A. Staff Presentation on Proposed Changes to Rates, Fees and Charges to be Effective October 1, 2007
 - B. Public Comments on Proposed Rate Increases and Rate Structure Changes
- 7:50 PM 5. [Performance Measurement Report for Fiscal Years 2003-2007 \(Ed Kerwin\)](#)

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Ed Holland
DATE: May 2, 2007
SUBJECT: Site Cleanup at Former Ray Family Property

Trash Dump and Contaminated Soil

Before finalizing our purchase of the 74-acre Ray Family property in the fall of 2006, OWASA engaged TerraQuest Environmental Consultants, P.C. to conduct a routine Phase I Environmental Site Assessment according to procedures of the American Society of Testing and Materials (ASTM) and applicable State and federal regulations.

The Phase I assessment identified an abandoned trash dump on the property as well as several areas of petroleum-contaminated soil associated with an above-ground fuel storage tank and a farm equipment maintenance area. A subsequent Phase II assessment estimated that the excavation and removal of approximately 60 tons of material from the trash dump and 775 tons of petroleum-contaminated soil would cost about \$65,000 in addition to \$35,000 in other professional services (Phase I and II site assessments, survey, appraisals, etc.) that OWASA had already incurred. As a result, the price of the property was renegotiated downward by \$100,000 per terms of OWASA's purchase/sale contract with the property owners.

OWASA hired TerraQuest to conduct the actual site remediation and file necessary documents with State regulatory agencies. All site cleanup work was completed in December 2006 for a total cost of \$65,000. Fifty-one (51) tons of material was removed from the trash dump and disposed of in the Orange County Regional Landfill, and 775 tons of petroleum-contaminated soil was excavated and transported to a permitted treatment facility in Lee County. A March 20, 2007 letter to OWASA from the NC Division of Waste Management, Underground Storage Tank Section determined that "no further action is warranted for this incident."

Cattle Grazing

Prior to OWASA's purchase, the property owners had allowed an area resident to graze approximately 15 beef cattle on the site. These animals were allowed to remain onsite after the purchase, pending OWASA's assessment of their potential water quality impact. Because the cattle were obtaining drinking water from, and routinely standing in, a permanent spring that drains directly into University Lake, OWASA requested Orange County Soil and Water Conservation District staff to examine the site and recommend improved fencing, feeding, and watering arrangements that would better protect University Lake. County staff subsequently

Ray Property Site Cleanup

May 2, 2007

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specified “best management practices” (BMPs) and estimated a cost of \$1,500 – \$2,000 to implement them. OWASA offered to allow the cattle owner to continue grazing his animals on the property if he implemented those BMPs. The cattle owner declined, and all animals were removed from the site by March 31, 2007.

Please let me know if you need any further information.

A handwritten signature in black ink, appearing to read "Ed Holland". The signature is written in a cursive style with a horizontal line underneath it.

Edward A. Holland, AICP
Planning Director

Draft

ITEM 2

ORANGE WATER AND SEWER AUTHORITY

MEETING OF THE BOARD OF DIRECTORS

APRIL 12, 2007

The Board of Directors of the Orange Water and Sewer Authority (OWASA) met in regular session on Thursday, April 12, 2007, at 7:00 P.M., in OWASA's Community Room.

Directors present: Michael A. (Mac) Clarke, Chair; Randolph M. Kabrick, P.E., Vice Chair; Gordon Merklein, Secretary; Fred Battle; Braxton Foushee; Milton Heath, Jr.; Penny Rich. Directors absent: Marge Anders Limbert and William R. Stott.

OWASA staff: Ed Kerwin; John Greene; Mason Crum; Mary Darr; Patrick Davis; Ed Holland; Andrea Orbich; and Kevin Ray; Robert Epting, Esquire, Epting and Hackney.

Others present: Meg Holton, UNC Water, Wastewater, and Stormwater Manager; Randy Foulke, Black & Veatch; and Gary Richman and Rex Bartles, Highland Woods Recreation Association.

Andrea Orbich, Notary Public, administered the Oath of Office to Mr. Braxton Foushee, Town of Carrboro appointee to the OWASA Board, at the beginning of the Board meeting.

There being a quorum present, Chair Mac Clarke called the meeting to order.

MOTIONS ACTED UPON

1. Penny Rich made a motion to approve the Minutes of the February 22, 2007 Board meeting; the motion was seconded by Fred Battle and unanimously approved.

2. Penny Rich made a motion to approve the Minutes of the March 8, 2007 Board meeting; the motion was seconded by Fred Battle and unanimously approved.

3. Milton Heath made a motion to adopt the Resolution Endorsing Regulations Governing In-Lake Activities and Uses of University Lake and Cane Creek Reservoir; the motion was seconded by Penny Rich and unanimously approved.

4. Milton Heath made a motion to convene in a Closed Session for the purpose of conferring with Counsel and staff to discuss pending litigation; the motion was seconded by Penny Rich and unanimously approved.

ITEM ONE: ANNOUNCEMENTS

CONFLICT OF INTEREST

Mac Clarke said any Board Member who knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight is asked to disclose the same at this time. There were none.

AMENDMENT TO THE AGENDA

Mac Clarke said a Closed Session has been added to the agenda for the purpose of conferring with Counsel and staff to discuss pending litigation.

TOWN OF CHAPEL HILL APPOINTEE

Mac Clarke said the Chapel Hill Town Council appointed Mr. Gene Pease to replace Milton Heath. Mr. Pease's first meeting will be May 10, 2007.

COMMUNITY OUTREACH AT CAROL WOODS

Mac Clarke said that he and Ed Kerwin gave a presentation on OWASA to Carol Woods residents on March 15, 2007. This meeting was well attended, the participants had good questions, and Mr. Clarke noted to the Board's Ad Hoc Outreach Committee that OWASA should go out to the community instead of inviting the community to OWASA.

CARRBORO BOARD OF ALDERMEN MEETING ON APRIL 10, 2007

Mac Clarke updated the Board on the presentation to the Carrboro Board of Aldermen on April 10, 2007 regarding proposed increases in water and sewer availability fees. The discussion with Carrboro focused primarily on how availability fees are calculated, and the Board of Aldermen suggested that OWASA and Carrboro explore the feasibility of charging additional fees when the size of a home is subsequently increased.

BUDGET AND FINANCIAL PLANNING COMMITTEE MEETING

Gordon Merklein said the Board's Budget and Financial Planning Committee met on April 5, 2007 and discussed the Draft Capital Improvements Program Budget.

ITEM TWO: PETITIONS AND REQUESTS

Chair Mac Clarke asked for petitions and requests from the public, from the Board, and from staff. There were none.

ITEM THREE: BIMONTHLY STATUS REPORT ON THE MASON FARM
WASTEWATER TREATMENT PLANT (WWTP) 14.5 UPGRADE AND
EXPANSION PROJECT

The Board received the staff's bimonthly status report on the upgrade and expansion of the Mason Farm WWTP as an information item.

ITEM FOUR: MINUTES

Penny Rich made a motion to approve the February 22, 2007 Minutes of the Board of Directors meeting; the motion was seconded by Fred Battle and unanimously approved. See Motion No.1 above.

Penny Rich made a motion to approve the March 8, 2007 Minutes of the Board of Directors meeting; the motion was seconded by Fred Battle and unanimously approved. See Motion No. 2 above.

ITEM FIVE: RESOLUTION ENDORSING REGULATIONS GOVERNING IN-LAKE ACTIVITIES AND USES OF UNIVERSITY LAKE AND CANE CREEK RESERVOIR

Braxton Foushee requested that the words "*or under effective voice*" in Section V, M. of the proposed Regulations Governing In-Lake Activities and Uses of University Lake and Cane Creek Reservoir be deleted and read as follows:

"No horses, cattle or domestic animals are permitted to water, wash or wallow in the reservoirs. Additionally, no domestic animals are permitted to be within 50 feet of the normal pool elevation. At Cane Creek, an area is designated as a dog exercise/run area below the dam for dogs under leash ~~or under effective voice~~ control. Animal owners are responsible for the removal and appropriate disposal of feces."

Milton Heath made a motion to adopt the resolution with the above noted change; the motion was seconded by Penny Rich and unanimously approved. See Motion No. 3 above.

ITEM SIX: REPORT REGARDING ODOR ELIMINATION AT THE MASON FARM WASTEWATER TREATMENT PLANT (WWTP)

John Greene provided an overview of staff's report on odor elimination at the Mason Farm WWTP.

Gary Richman indicated that the information detailed in the odor report by staff was mostly good news and met the expectations of the neighborhood. Mr. Richman stated that if the recommended actions from the model evaluation were undertaken it would be a wonderful step forward. Regarding the Odor Elimination Definition, Mr. Richman said Ed Kerwin shared a draft of the definition with him which was discussed by the Highland Woods neighbors. He stated that discussions with OWASA have gone from "odor complaints" to "odor events". His area of concern centered on the definition of an "odor event". He applauded OWASA for picking a low number of events (not to exceed 3 per year) but did not want to penalize OWASA

if two people called in about the same situation. However, if the calls were 4, 8 or 12 hours apart he thought the calls should be treated as separate events.

Mr. Richman further noted that the odor work should not be a “goal line” that is crossed, the work is over and success is declared but more of an ongoing standard to be met. He asked that OWASA develop a plan to meet the Dilution-to-Threshold (D/T) ratio standard (5 D/T at the property line). He thought OWASA had a good plan for meeting the hydrogen sulfide standard (0.0 mg/l at the property line) but was not sure of the D/T goal or if the equipment being considered is the right equipment for evaluating whether the standard is met. He requested that a operational measure/standard be worked out and folded into the odor elimination definition.

Mac Clarke said OWASA representatives will make a presentation to the Chapel Hill Town Council in May regarding these issues as well as the proposed rates. OWASA representatives will also meet with the Town of Carrboro and Orange County governing officials regarding the proposed rate study. Following the meetings with the local governments and taking into consideration their feedback from the local governments and customers, staff will make a further report and recommendations to the Board.

Ed Kerwin added that the Budget and Financial Planning Committee has reviewed the Draft Capital Improvement Program (CIP), which includes the additional odor elimination improvements recommended by staff, and that the Board will act on the CIP in June, 2007.

Gordon Merklein requested a list of the CIP projects that would be deferred to accommodate the recommended additional odor elimination improvements.

ITEM SEVEN: PROPOSED NUTRIENT MANAGEMENT RULES FOR JORDAN LAKE – IMPLICATIONS FOR OWASA

Ed Holland summarized the N. C. Environmental Management Commission’s (EMC’s) comprehensive package of proposed nutrient management rules intended to reduce water quality violations in Jordan Lake.

The Board agreed to refer this item to the Board’s Natural Resources and Technical Systems (NRTS) Committee. Staff will draft an OWASA position statement that the NRTS Committee and full Board will review and modify before its submittal to the EMC’s public hearing record, which will likely be open through July 2007.

ITEM EIGHT: DISCUSSION OF PRELIMINARY OPERATIONS AND MAINTENANCE BUDGET FOR FISCAL YEAR 2008

Kevin Ray said that he and Ed Kerwin met with each department manager to discuss departmental budget requests for the new fiscal year, and that the Board’s Budget and Financial Planning Committee also reviewed appropriation requests. The proposed operating budget variances will be included in the proposed Preliminary Budget for fiscal year (FY) 2007-2008 to be presented at the Board for consideration on April 26, 2007. Mr. Ray said that the initial

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appropriation requests represent a 2.6 percent increase over the FY 2006-07 budget and an 11.6 percent increase over FY 2006 actual spending.

ITEM NINE: DISCUSSION OF NEW COMPENSATION STRATEGIES FOR EMPLOYEES

The Board supported and agreed with the content of the Human Resources (HR) Committee's and staff's recommendations regarding the following proposed new employee compensation strategies:

- Bonus Pay for Additional Education
- Skill-Based Pay
- Spot Bonus Program
- Bonus Pay for Professional Certification
- New Required Professional Certifications for Certain Positions
- Reclassification of Certain Positions

The Board directed staff to provide additional information on implementation of the new employee compensation strategies at the Board's May 24, 2007 meeting.

ITEM TEN: CLOSED SESSION

Milton Heath made a motion that the Board convene in a Closed Session for the purpose of conferring with Counsel and staff to discuss pending litigation; the motion was seconded by Penny Rich and unanimously approved. See Motion No. 4 above.

There being no further business to come before the Board, the meeting was adjourned at 9:10 P.M.

Respectfully submitted,

Draft

Andrea Orbich
Executive Assistant

Encs.

ITEM 3

AGENDA ITEM

- RESOLUTION AUTHORIZING RENEWAL OF PROPERTY, LIABILITY, WORKERS' COMPENSATION, INLAND MARINE, AUTOMOBILE, BOILER AND MACHINERY, CRIME AND EXCESS LIABILITY INSURANCE POLICIES THROUGH THE NORTH CAROLINA LEAGUE OF MUNICIPALITIES RISK MANAGEMENT SERVICES AND PUBLIC OFFICIALS LIABILITY THROUGH AMERICAN INTERNATIONAL SPECIALTY LINES

PURPOSE

- To ensure continued adequate insurance coverage against potential property damages, liability and workers' compensation claims.

BACKGROUND

- Section 707 of the Bond Order and prudent business practice dictate that Orange Water and Sewer Authority maintain a practical insurance program which will afford adequate protection against damage to or destruction of the Water and Sewer System; and that Orange Water and Sewer Authority will maintain such comprehensive public liability insurance for bodily injury and property damage resulting from the operation of the Water and Sewer System, and public officials liability insurance as OWASA deems to be adequate.
- The North Carolina League of Municipalities Risk Management Services ("the League") has provided brokerage services to OWASA for general liability and casualty, workers' compensation, property, liability, inland marine, automobile, boiler and machinery, crime and excess liability insurance coverage since 2000.
- OWASA has obtained public officials liability insurance coverage through George Williams, CPCU continuously since 1977, resulting in a substantial premium savings compared to other industry quotes.
- A final quote has not yet been received from the League, but the premium increase over the current year is expected to be ten percent or less.
- American International Specialty Line Insurance Company has provided a quote through George Williams of \$27,700. This renewal premium is unchanged from the current year.

ACTION NEEDED

- Adopt Resolution Authorizing Renewal of Property, Liability, Workers' Compensation, Inland Marine, Automobile, Boiler and Machinery, Crime and Excess Liability Insurance Policies through the North Carolina League of Municipalities Risk Management Services, and Renewal of Public Officials Liability Insurance Through American International Specialty Lines, the aggregate cost of which is not to exceed \$420,000, pending receipt of a final quote from the League.

MEMORANDUM

TO: Board of Directors
THROUGH: Ed Kerwin
FROM: Kevin M. Ray
DATE: May 2, 2007
SUBJECT: Public Officials Liability and General Liability and Casualty Insurance Renewal

OWASA's Bond Order and prudent business practice require that we maintain an insurance program that will afford adequate protection against damage to, or destruction of, the water and sewer system, and comprehensive public liability insurance for bodily injury and property damage.

OWASA selected the North Carolina League of Municipalities Risk Management Services ("the League") to provide brokerage services for general liability and casualty insurance coverage in 2000 after completion of a competitive bidding process. Coverage for workers' compensation, property, liability, inland marine, automobile, boiler and machinery, crime and excess liability run concurrently with our fiscal year and will expire on June 30, 2007.

As an alternative to insurance from commercial companies, the League offers its members the opportunity to participate in one or more of three, self-funded governmental insurance pools. Cities, towns and other public entities come together to form self-insured pools to provide the needed coverages. This arrangement is attractive to League members who want to avoid purchasing commercial insurance, desire insurance coverage geared to their unique needs, and who want some influence over costs and claims handling. The League's Risk Management Services division provides the daily management for these insurance programs, under the direction of the North Carolina League of Municipalities Risk Management Board of Trustees.

The League of Municipalities Risk Management Services is not rated by AM Best but OWASA is currently one of three hundred and fifty local government entities within the State of North Carolina participating in the program; indicating the success of the program and the satisfaction of its participants.

The total FY2007 premium before membership and audit adjustments was approximately \$343,000. The final quote for premium costs for FY 2008 has not been received, but we have been advised that increases will not exceed ten percent.

Although the League offers public officials liability insurance, they are unable to compete with the cost of coverage OWASA obtains through a commercial broker. We have obtained this

Liability and Casualty Insurance Renewal

May 2, 2007

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coverage continuously through George Williams, CPCU since 1977, and as a result we enjoy substantial premium savings. Mr. Williams has again secured public officials liability insurance on our behalf from American International Specialty Insurance Company with a policy limit of \$2.0 million and a \$15,000 deductible. The premium of approximately \$27,700 for this coverage remains unchanged from the current year. The best corresponding quote from the League was \$47,000.

While not all quotes are final, in light of the overall national trend in liability and property coverage costs in the past several years due to the fear of terrorist activity and storm losses, the renewal amounts and coverage limits appear reasonable. Renewal through the League for property and liability insurance coverage, and renewal with American International Specialty for public officials liability coverage appear to be OWASA's best course at the present time. The attached resolution stipulates that the aggregate renewal amount with the League and American International Specialty not exceed \$420,000, pending receipt of a final quote.

Kevin M. Ray
Director of Finance and Customer Service

RESOLUTION AUTHORIZING RENEWAL OF PROPERTY, LIABILITY, WORKERS' COMPENSATION, INLAND MARINE, AUTOMOBILE, BOILER AND MACHINERY, CRIME, EXCESS LIABILITY AND UMBRELLA LIABILITY INSURANCE POLICIES THROUGH THE NORTH CAROLINA LEAGUE OF MUNICIPALITIES RISK MANAGEMENT SERVICES AND PUBLIC OFFICIALS LIABILITY THROUGH AMERICAN INTERNATIONAL SPECIALTY LINES

WHEREAS, Property, Liability, Inland Marine, Automobile, Boiler and Machinery, Crime, Workers' Compensation, Excess Liability and Umbrella Liability insurance policies in effect for Orange Water and Sewer Authority will expire on June 30, 2007; and

WHEREAS, Section 707 of the Bond Order and prudent business practice dictate that Orange Water and Sewer Authority will maintain a practical insurance program which will afford adequate protection against damage to, or destruction of, the Water and Sewer System; and

WHEREAS, Section 707 of the Bond Order and prudent business practice dictate that Orange Water and Sewer Authority will maintain such comprehensive public liability insurance for bodily injury and property damage resulting from the operation of the Water and Sewer System, and public officials liability insurance as OWASA deems to be adequate.

NOW, THEREFORE, BE IT RESOLVED:

1. That the Board of Directors of Orange Water and Sewer Authority awards the renewal of Property, Liability, Workers' Compensation, Inland Marine, Automobile, Boiler and Machinery, Crime, Excess Liability and Umbrella Liability Insurance coverage to The North Carolina League of Municipalities Risk Management Services, in an amount not to exceed \$392,000, subject to normal audit adjustments.

2. That the Board of Directors of Orange Water and Sewer Authority awards the renewal of Public Officials Liability Insurance coverage to American International Specialty Line Insurance Company, in an amount not to exceed \$28,000.

3. That the Executive Director be, and he hereby is, authorized and directed to renew the above stated insurance policies.

Adopted this 10th day of May, 2007.

Michael A. (Mac) Clarke, Chair

ATTEST:

Gordon Merklein, Secretary

ITEM 4

AGENDA ITEM

- **PRESENTATION AND PUBLIC COMMENT ON PROPOSED CHANGES TO OWASA RATES, FEES AND CHARGES EFFECTIVE OCTOBER 1, 2007**
 - A. Staff Presentation on Proposed Changes to Rates, Fees and Charges to be Effective October 1, 2007
 - B. Public Comments on Proposed Rate Increases and Rate Structure Changes

PURPOSES

- To present the draft schedule of proposed rates, fees and charges which reflects the recommendations of our rate study consultant, Burton & Associates, and the Board of Directors' discussions and policy guidance to date.
- To provide the public comments received to date regarding the proposed rate increases and rate structure changes.
- To receive additional comments, questions and suggestions from members of the public who are in attendance at the meeting.
- To seek the Board of Directors' feedback and guidance.

BACKGROUND

- We have received the Water, Sewer and Reclaimed Water Rate Study Draft Report from Burton & Associates.
- The report presents an overview of the rate study methodology, findings and recommendations, which are consistent with prior guidance from the Board of Directors. Some minor modifications have been made to certain rates and fees compared to the schedule of rates and fees which the Board reviewed on March 8, 2007.
- As the Board of Directors agreed on March 8, 2007, we invited the public to provide their comments, questions and suggestions regarding the proposed rate increases and rate structure changes. We informed the public of the opportunity to offer their comments to the Board at the May 10, 2007 Board meeting and at the official public hearing on the rates which will be held May 24, 2007. This outreach was done through several methods, including mailing of a brochure along with monthly bills to our customers in April, news releases and media coverage, website announcements, etc.
- We have received a number of comments from customers.

ACTION REQUESTED

- Receive and discuss comments from the public, and provide additional feedback and guidance to the staff and rate study consultant.

May 10, 2007

MEMORANDUM

TO: Board of Directors

THROUGH: Ed Kerwin

FROM: Kevin M. Ray

DATE: May 4, 2007

SUBJECT: Presentation and Public Comment on Proposed Changes To OWASA Rates, Fees And Charges Effective October 1, 2007

PURPOSE

This memorandum provides (1) a brief update on the status of the Water, Sewer and Reclaimed Water Rate Study now underway, and (2) a summary, as well as a complete transmittal of comments received from the public in response to our invitation for comments on the recommended rate increases and rate structure changes proposed to be effective October 1, 2007.

As previously discussed by the Board of Directors, at May 10, 2007 Board meeting the public will have the opportunity to offer additional comments, questions, and suggestions regarding the rate proposals now under consideration by the Board.

At the May 24, 2007 Board meeting, the public will have a further opportunity to comment at the official public hearing on the rate proposals.

UPDATE ON THE WATER, SEWER AND RECLAIMED WATER RATE STUDY

The attached *Draft Schedule of Rates, Fees and Charges* (Attachment #1) reflects staff's current recommendations for changes to the rates, and reflect the recommendations from our rate study consultant and prior guidance from the Board of Directors. The attached schedule includes some changes to specific calculated rates recommended by Burton & Associates, as discussed in the May 4, 2007 staff memorandum to the Budget and Financial Planning Committee.

We have received the draft *Water, Sewer and Reclaimed Water Study* report from Burton & Associates. That report has been included as an attachment to the agenda package for the Budget and Financial Planning Committee's May 9, 2007 meeting. Please bring that package of materials to the meeting.

The Committee will make a verbal report to the Board at the May 10th meeting.

Staff requests that the Board authorize staff to use the attached draft schedule of rates and fees, with revisions where necessary, as the basis for advertising the rate increases and rate structure changes that will be the subject of the May 24, 2007 public hearing.

PUBLIC COMMENTS ON THE PROPOSED RATE CHANGES

In the brochure we mailed to customers along with their monthly bills in April, we invited and encouraged comments and questions concerning the proposed rate increases and rate structure changes. We also invited customers to participate in the May 10, 2007 public meeting and the May 24, 2007 official public hearing on the proposed rates.

Attachment #2 includes paper letters and e-mail comments received as of May 4th with a summary of comments including those received by telephone. We have responded to each of the customers who contacted us, and we will be glad to provide you copies of our responses, if you desire.

We look forward to receiving and considering additional comments from the public.

NEXT STEPS

The Budget and Financial Planning Committee will meet on May 9, 2007 for the purpose of discussing the draft rate study report and revisions to the recommended schedule of rates and fees.

We will formally advertise the rate proposals and announcement of the May 24, 2007 public hearing on the rates beginning on May 13, 2007. We will also make presentations to the local governing boards of Carrboro and Orange County on May 15th and to the Chapel Hill Town Council on May 21st. A draft of the background letter to the local governing boards is included in the Budget and Financial Planning Committee's May 9th meeting materials.

We will review the draft report on the rate study, and provide staff and Board comments to the rate consultant for further consideration and incorporation into the final report.

Final rate recommendations will be presented to the Board for consideration at the first meeting in June. Final action on the rate increases and rate structure changes will be requested in June.

CLOSING

Staff looks forward to your continued discussion and guidance.

Kevin M. Ray
Director Finance and Customer Service

Attachments: *Draft Schedule of Rates, Fees and Charges*
Copy of Comments Received From the Public

DRAFT
ORANGE WATER AND SEWER AUTHORITY
SCHEDULE OF PROPOSED RATES, FEES, AND CHARGES

APPLICABLE TO ALL CUSTOMER BILLINGS ON AND AFTER OCTOBER 1, 2007
UNLESS OTHERWISE NOTED*

SECTION I: SCHEDULE OF WATER RATES AND FEES.....Pg. 2 to Pg. 7

SECTION II: SCHEDULE OF SEWER RATES AND FEESPg. 8 to Pg. 11

SECTION III: SCHEDULE OF MISCELLANEOUS CHARGES.....Pg. 12 to Pg. 19

Background and Authorization

In providing essential public water and sewer services to the Chapel Hill, Carrboro and portions of southern Orange County, Orange Water and Sewer Authority (OWASA) incurs substantial operating and capital expenses. OWASA is a not-for-profit public utility and has no legislative authority to levy taxes, nor does OWASA receive tax revenues from local governments for ongoing operations. OWASA finances its water and sewer operations and extensive capital improvements almost entirely through customer paid fees and charges.

North Carolina G.S. 162A-9 requires that OWASA's "rates, fees and charges shall be fixed and revised so that the revenues of the authority, together with any other available funds, will be sufficient at all times" to fund operating and maintenance expenses and to pay the principal and interest on all debt issued or assumed by OWASA. OWASA's rates are established under a cost-of-service rate-making methodology. Each customer pays for the costs incurred by OWASA to provide the services and/or facility capacity required to meet customer demand.

The OWASA Board of Directors has determined that revisions presented in the attached Schedule of Rates Fees, and Charges are necessary to adequately fund OWASA's ongoing operations and long-range Capital Improvements Program. Additional revenues generated by these rate adjustments will provide OWASA with the financial resources necessary to: (1) fund operating costs; (2) adequately maintain existing water and sewer facilities; (3) fully comply with increasingly stringent environmental and public health standards; (4) meet debt service requirements; and (5) to create additional facility capacity to stay abreast of water and sewer service demand in a growing, dynamic community.

The attached Schedule of Rates, Fees, and Charges will replace the schedule adopted on June 8, 2006, which became effective on October 1, 2006.

*Boat Rental and Lake Use Fees are proposed to become effective March 1, 2008.

SECTION I: WATER RATES AND FEES

MONTHLY WATER RATES

Water charges are billed monthly at approximately 30-day intervals. Charges are due upon receipt of the bill, and become delinquent 21 days after the original billing date. Monthly water rates consist of two components: a monthly service charge and a commodity (volume) charge.

Water Service Charge

This charge is calculated to recover costs related to certain direct and indirect customer service efforts, meter and lateral maintenance, and capital costs associated with supplying water to the customer’s property. Applicable to all metered water accounts, independent of the quantity of water consumed, the monthly charge is based on meter size as follows:

| <u>Meter Size</u> | <u>Existing</u> | <u>Monthly Service Charge</u> { Proposed } |
|-------------------|-----------------|--|
| 5/8” | \$10.43 | \$11.08 |
| 1” | \$20.95 | \$22.26 |
| 1-1/2” | \$45.30 | \$48.13 |
| 2” | \$68.37 | \$72.64 |
| 3” | \$140.59 | \$149.38 |
| 4” | \$229.51 | \$243.85 |
| 6” | \$499.79 | \$531.03 |
| 8” | \$710.73 | \$755.15 |

Water Irrigation Service Charge

This charge is calculated to recover certain direct and indirect customer service, meter and lateral maintenance, and water capital costs associated with supplying water to properties with irrigation systems. Applicable to all metered irrigation water accounts, regardless of the quantity of water consumed, the monthly charge is based on meter size as follows:

| <u>Meter Size</u> | <u>Existing</u> | <u>Monthly Service Charge</u> { Proposed } |
|-------------------|-----------------|--|
| 5/8” | \$16.70 | \$17.74 |
| 1” | \$33.37 | \$35.46 |
| 1-1/2” | \$61.78 | \$65.64 |
| 2” | \$95.01 | \$100.95 |
| 3” | \$188.07 | \$199.82 |
| 4” | \$288.69 | \$306.73 |
| 6” | \$567.90 | \$603.39 |
| 8” | \$903.12 | \$959.57 |

Compound meter arrangements are billed on the largest meter in the grouping. In addition to the applicable charge for the primary meter, existing OWASA-owned sub-meters are billed according to the above schedule. Sub-meters are no longer available and no additional sub-meters will be installed.

Meter changes from one size to another are billed at the rate applicable for the size of the new meter.

Meter readings for first and final bills are billed at a prorated amount based on days of service.

Water Commodity Charge

This charge is calculated to recover the direct and indirect costs of water supply and treatment, water distribution, general administration and water capital not recovered by the monthly service charge. This charge is applicable to all water accounts based on meter readings of water consumed.

When no meter reading is available due to an inoperative, damaged or inaccessible meter, consumption is estimated based on prior usage at the location and current use of the facilities at that time.

*****NEW CHARGE***** **Individually Metered Residential Accounts**

Individually metered residential accounts will be billed under an increasing block rate structure designed to encourage efficient water use by applying increasing commodity charges (rate per thousand gallons) to incremental increases in water use.

| | <u>Volume of Use</u> <u>(1,000s of Gallons)</u> | <u>Calculated Commodity</u> <u>Rate per 1,000 Gallons</u> |
|----------------|--|--|
| Block 1 | 0 to 2,999 | \$2.46 |
| Block 2 | 3,000 to 5,999 | \$4.10 |
| Block 3 | 6,000 to 10,999 | \$5.53 |
| Block 4 | 11,000 to 15,999 | \$7.46 |
| Block 5 | All use 16,000 and up | \$13.06 |

Conservation Water Commodity Charges Under Mandatory Water Use Restrictions

Water commodity charges applicable to individually-metered residential accounts will be temporarily increased during periods of mandatory water use restrictions regardless of the time of year. These applicable surcharges are summarized in the following table.

**WATER COMMODITY SURCHARGES
APPLICABLE UNDER MANDATORY WATER USE RESTRICTIONS**

| | Individually-Metered Residential Accounts | | | | | | Non-Residential |
|---------------------------------|---|--------------------------------|-------------------------------|-------------------------------|-----------------------------|------------------------|--|
| Block: | Res. Block 1 | Res. Block 2 | Res. Block 3 | Res. Block 4 | Res. Block 5 | Cutoff Block | |
| Use Level: | 0 to 2,999 | 3,000 to 5,999 | 6,000 to 10,999 | 11,000 to 15,999 | 16,000 and up | | All |
| Stage 1 Mandatory | No surcharge | No surcharge | No surcharge | 1.5 times normal Block 4 rate | 2 times normal Block 5 rate | >1,000 gallons per day | Non-Peak Period: No surcharge Peak Period: No surcharge |
| Stage 2 Mandatory | No surcharge | No surcharge | 1.5 times normal Block 3 rate | 2 times normal Block 4 rate | 3 times normal Block 5 rate | >800 gallons per day | Non-Peak Period: No surcharge Peak Period: No surcharge |
| Stage 3 Mandatory and Emergency | No surcharge | 1.25 times normal Block 2 rate | 2 times normal Block 3 rate | 3 times normal Block 4 rate | 4 times normal Block 5 rate | >600 gallons per day | Non-Peak Period: 1.25 times peak seasonal rate Peak Period: 1.25 times peak seasonal rate |

Non-residential Accounts

To achieve demand reduction during peak water use periods, a seasonal conservation rate structure will be applied to non-residential accounts. A reduced commodity charge is in effect during lower demand months (October through April), and a higher commodity charge is in effect during high demand months (May through September).

| | | |
|--|----------|-------------------|
| | Existing | {Proposed} |
| Off-peak rate per 1,000 gallons (October through April) | \$2.90 | \$3.08 |
| Peak seasonal rate per 1,000 gallons (May through September) | \$5.51 | \$5.85 |

INTERLOCAL WATER TRANSFER CHARGES

The purpose of this charge is to recover costs associated with the provision of supplemental water supply under contractual agreement with other water purveyors. The specific rates to be charged will be negotiated with the other party based upon specific conditions, but using the cost-of-service rate-making approach and approved by the Executive Director. The commodity charge for such interlocal water transfers shall not be less than seventy-five percent (75%) of the equivalent uniform water commodity charge applicable to all water accounts within OWASA's service area unless OWASA and the other purveyor(s) have entered into an agreement establishing water transfer charges. This charge will not be subject to seasonal adjustments.

Equivalent Uniform Water Commodity Charge

Not less than seventy-five percent (75%) (unless OWASA and the other purveyor(s) have entered into an agreement establishing water transfer charges) of \$4.17 **{Proposed \$4.43}** per 1,000 gallons.

TEMPORARY HYDRANT METER CHARGE

Service from a fire hydrant for construction purposes is subject to priority use of such hydrant for fire protection. Temporary hydrant meters may be used by a customer at a single location for a period not to exceed 60 days. Subject to availability of inventoried hydrant meters, a \$200.00 **{No change proposed}** service charge, payable in advance, is collected for setting and removing the meter. In addition, a security deposit is required in accordance with the following schedule:

Security Deposit

\$1,000.00 **{No change proposed}**

Monthly billings for temporary hydrant meters consist of two charges: (1) a service charge for that size meter, and (2) a commodity charge based on monthly readings of the meter. When the hydrant meter is returned undamaged, the security deposit is to be applied to the final bill and any credit balance will be refunded within thirty (30) days

WATER AVAILABILITY FEE

Water availability fees are calculated to recover a portion of the capital costs of providing water system facility capacity. The availability fee is applicable to each new connection to a water main, regardless of who may have paid for the installation of the water main to which the connection is to be made. For the purpose of availability fees, customer accounts are divided into three categories: (1) Single-family Residential, (2) Multi-family Residential, Individually Metered; and (3) Nonresidential. The Nonresidential category includes master-metered multi-family apartment complexes and all commercial, University, and institutional accounts. The use of these categories is justified by distinctive patterns of water and sewer consumption.

| | | |
|--|------------|---------------------|
| 5/8" Meter, Single-family Residential: | Existing | { Proposed } |
| <1300 square feet | \$960.00 | \$1,052.00 |
| 1300-1700 square feet | \$1,173.00 | \$1,284.00 |
| 1701-2400 square feet | \$1,484.00 | \$1,625.00 |
| 2401-3100 square feet | \$2,539.00 | \$2,778.00 |
| 3101-3800 square feet | \$3,450.00 | \$3,777.00 |
| >3800 square feet | \$5,794.00 | \$6,341.00 |
| 5/8" Meter, Residential, Irrigation-Only | \$2,812.00 | \$3,078.00 |
| 5/8" Meter, Multi-family Residential | \$1034.00 | \$1,133.00 |

WATER AVAILABILITY FEE (Continued)

| | | |
|------------------------------|---------------|---------------------|
| 5/8" Meter, Nonresidential | \$2,812.00* | \$3,078.00 |
| 1" Meter, Nonresidential | \$7,030.00* | \$7,694.00 |
| 1-1/2" Meter, Nonresidential | \$14,060.00* | \$15,388.00 |
| 2" Meter, Nonresidential | \$22,496.00* | \$24,621.00 |
| 3" Meter, Nonresidential | \$44,992.00* | \$49,243.00 |
| 4" Meter, Nonresidential | \$70,300.00* | \$76,942.00 |
| 6" Meter, Nonresidential | \$140,600.00* | \$153,884.00 |
| 8" Meter, Nonresidential | \$224,960.00* | \$246,214.00 |

* Same fee for Nonresidential, Irrigation-Only accounts

WATER SERVICE AND METER INSTALLATION CHARGE

The purpose of this charge is to recover costs of extending service from the distribution system to individual properties, and includes the installation of a service connection from the water main to the meter and the setting of the meter within the premises, subject to satisfactory easement or license being provided by the applicant. Where a suitable stub-out for service has been made and is available, the "meter-only" charge will apply. Complete water service installation and meter-only charges are as follows:

| | Current | {Proposed} |
|---|----------------|-------------------|
| Complete Water Service Installation, 5/8" meter | \$2,250.00 | \$2,550.00 |
| Complete Water Service Installation, 1" meter | \$2,400.00 | \$2,680.00 |
| Meter Only Installation, 5/8" meter | \$180.00 | \$192.00 |
| Meter Only Installation, 1" meter | \$220.00 | \$235.00 |
| Meter Only Installation, 1-1/2" meter | \$460.00 | \$497.00 |
| Meter Only Installation, 2" meter | \$1,800.00 | \$1,480.00 |

Complete installation costs are determined on a time and materials basis for 1-1/2 inch and 2- inch meters. For 3-inch and larger meters, the applicant is responsible for providing a meter box or vault constructed to the configuration and standards of OWASA. All meters, regardless of size, are to be purchased from OWASA. A \$70.00 **{Proposed \$110.00}** delivery fee for 3-inch and larger meters will be applied.

WATER MAIN TAPPING FEE

The purpose of this charge is for making a tap into an OWASA water main. The tap fee must be paid in advance of OWASA performing the work, with a minimum of 48 hours advance notice given to OWASA.

The applicant shall be responsible for opening the ditch, providing adequate working clearance at the point of tap, adequately shoring the trench sidewalls, dewatering and such other associated activities as to provide a suitable and safe condition for OWASA personnel to complete the tap. Additionally, the applicant shall be responsible for providing an appropriate size tapping sleeve and tapping valve, and a backhoe or similar device shall be available on-site

for lowering the tapping unit into the ditch line. All permits, bonds and paving shall be the responsibility of the applicant. The charge is for time and equipment plus an allowance for overhead, but not less than \$260.00 {**Proposed \$331.00**}.

The base fee noted above includes one (1) site visit by OWASA to determine if the applicant is ready for OWASA to perform the tap. A re-inspection fee of \$75.00 {**Proposed \$94.00**} will be charged for each additional site visit required to determine if the water main is accessible and all required material and safety measures are in place.

HYDRAULIC FIRE FLOW TESTING

This charge recovers the cost of hydrant 'fire flow' testing of the water distribution system. Test results provide developers' engineers data to determine available flows and pressures in the systems they are designing for new developments.

\$200.00 { **Proposed \$211.00**} per test

SECTION II: SEWER RATES AND FEES

MONTHLY SEWER RATES

Sewer charges are billed monthly at approximately 30-day intervals. Charges are due upon receipt of the bill, and become delinquent 21 days after the original billing date. Monthly sewer rates consist of two components: a monthly service charge and a commodity (volume) charge.

Sewer Service Charge

This charge is calculated to recover the direct and indirect customer service, service and inspection maintenance, and capital costs associated with providing sewer service to the customer's property. Applicable to all sewer accounts, regardless of whether or not there is a commodity charge, the monthly service charge is based on water meter size as follows:

| <u>Meter Size</u> | <u>Existing</u> | <u>Monthly Service Charge</u> { Proposed }* |
|-------------------|-----------------|---|
| 5/8" | \$7.24 | \$8.24 |
| 1" | \$12.46 | \$14.17 |
| 1-1/2" | \$21.46 | \$24.41 |
| 2" | \$32.46 | \$36.92 |
| 3" | \$61.36 | \$69.80 |
| 4" | \$93.80 | \$106.70 |
| 6" | \$171.97 | \$195.62 |
| 8" | \$293.46 | \$333.81 |

(*Note: The proposed rates reflect a five-year implementation of the cost reallocation from water to sewer.)

Sewer Commodity Charge

This charge is calculated to recover the remaining direct and indirect costs of wastewater treatment and collection, maintenance, inspection, customer service and administration and sewer capital costs not recovered by the monthly service charge. This charge is applicable to all accounts receiving sewer service based on the water meter reading, sewer meter reading if applicable, or estimated volume of discharge as determined by OWASA.

\$3.66 { **Proposed \$4.16** } per thousand gallons

(Note: The proposed rates reflect a five-year implementation of the cost reallocation from water to sewer.)

Individually metered residential customers will not be charged for sewer use in excess of 15,000 gallons.

INTERLOCAL WASTEWATER COLLECTION, TREATMENT AND DISPOSAL CHARGES

The purpose of this charge is to recover costs associated with the provision of wastewater collection, treatment and disposal services under contractual agreement with other wastewater service providers. The specific rates to be charged will be negotiated with the other party based upon specific conditions, but using the cost-of-service rate-making approach and approved by the Executive Director. The uniform commodity charge for such interlocal wastewater services shall not be less than seventy-five percent (75%) of the sewer commodity charge applicable to all sewer accounts within OWASA's service area unless OWASA and the other purveyor(s) have entered into an agreement establishing water transfer charges.

MONTHLY RATES FOR SEWER ONLY ACCOUNTS

For existing sewer only accounts where there is no water meter, OWASA shall use the following as the basis for calculating the fixed monthly charges: (1) the monthly service charge shall be determined by the water meter size which would be required to supply water service to the property; (2) the billable quantity will be estimated using national engineering standards as the basis, but in no case shall the billable quantity be less than 6,000 gallons per month and at a rate of \$4.07 { **Proposed \$4.63**} per 1,000 gallons.

For special commercial and industrial customer classifications where the proportion of water consumed to wastewater discharged is extremely large, a metered sewer account may be approved. Metered sewer accounts must also pay the appropriate monthly sewer service charge based on the sewer meter size.

SEWER AVAILABILITY FEE

The purpose of this fee is to recover a portion of the capital costs of providing sewer system facility capacity. The availability fee is applicable to each new connection to a sewer main, regardless of who may have paid for the installation of the main to which the connection is to be made. For the purpose of availability fee, customer accounts are divided into three categories: (1) Single-family Residential; (2) Multi-family Residential, Individually Metered; and (3) Nonresidential. The Nonresidential category includes master-metered Multi-family apartment complexes plus all other commercial, the University, and institutional accounts. The use of these categories is justified by distinctive patterns of water and sewer consumption.

5/8" Meter, Single-family Residential:

| | Existing | { Proposed } |
|--------------------------------------|------------|---------------------|
| <1300 square feet | \$1,685.00 | \$2,441.00 |
| 1301-1700 square feet | \$2,034.00 | \$2,949.00 |
| 1701-2400 square feet | \$2,071.00 | \$3,001.00 |
| 2401-3100 square feet | \$2,538.00 | \$3,677.00 |
| 3101-3800 square feet | \$2,743.00 | \$3,973.00 |
| >3800 square feet | \$3,114.00 | \$4,514.00 |
| 5/8" Meter, Multi-family Residential | \$1,825.00 | \$2,645.00 |

SEWER AVAILABILITY FEE (Continued)

| | Existing | { Proposed } |
|------------------------------|--------------|---------------------|
| 5/8" Meter, Nonresidential | \$3,623.00 | \$5,250.00 |
| 1" Meter, Nonresidential | \$9,057.00 | \$13,125.00 |
| 1-1/2" Meter, Nonresidential | \$18,115.00 | \$26,250.00 |
| 2" Meter, Nonresidential | \$28,984.00 | \$41,999.00 |
| 3" Meter, Nonresidential | \$57,968.00 | \$83,999.00 |
| 4" Meter, Nonresidential | \$90,575.00 | \$131,248.00 |
| 6" Meter, Nonresidential | \$181,150.00 | \$262,497.00 |
| 8" Meter, Nonresidential | \$289,840.00 | \$419,995.00 |

In addition to the sewer availability fee, an excess sewer capacity fee of four percent (4%) of the applicable sewer service availability fee will be charged to recover the costs of excess sewer capacity installed in an area covered by an agreement for credit payments to the constructing developer. This fee applies to residential and nonresidential customers.

SEWER TAP CHARGE

This charge is for making a tap of the applicant's private sewer lateral into the main sewer line or sewer manhole of OWASA. The tap fee must be paid in advance of OWASA performing the work, with a minimum of 48 hours advance notice given to OWASA.

The applicant shall be responsible for opening the ditch, providing adequate working clearance at the point of tap, adequately shoring the trench sidewalls, dewatering and such other associated activities as to provide a suitable and safe condition for OWASA to connect the service lateral of the applicant into the facilities of OWASA. The minimum charge is based on a standard 4" service tap to the sewer line. All 6" lines and larger must be tapped into a manhole. All permits, bonds and pavement repairs are the responsibility of the applicant.

The charge will be for time and equipment plus an allowance for overhead, but not less than \$300.00 **{Proposed \$318.00}**.

The base fee noted above includes one (1) site visit by OWASA to determine if the applicant is ready for OWASA to perform the tap. A re-inspection fee of \$75.00 **{Proposed \$94.00}** will be charged for each additional site visit required to determine if the sewer main is accessible and all required material and safety measures are in place.

HIGH STRENGTH WASTE SURCHARGE

The purpose of this charge is to recover operation and maintenance costs from customers whose wastewater discharge into the system is in excess of certain parameters for normal strength domestic wastewater as determined by OWASA. Based on local sampling and analysis, normal strength domestic wastewater has been determined to have the following pollutant characteristics.

Normal Strength Domestic Wastewater

| | |
|---------------------------------------|----------|
| Biochemical Oxygen Demand (BOD) | 205 mg/l |
| Suspended Solids (SS) | 235 mg/l |
| Ammonia Nitrogen (NH ₃ -N) | 30 mg/l |
| Phosphorus (P) | 6.5 mg/l |

High Strength Waste Surcharges shall apply at the following rates to all wastes exceeding the above concentrations:

| | |
|---------------------------------------|---|
| Biochemical Oxygen Demand (BOD) | \$0.23 {To be Determined} per pound for all BOD in excess of 205 mg/l |
| Suspended Solids (SS) | \$0.16 {To be Determined} per pound for all SS in excess of 235 mg/l |
| Ammonia Nitrogen (NH ₃ -N) | \$2.42 {To be Determined} per pound for all NH ₃ -N in excess of 30 mg/l |
| Phosphorus (P) | \$6.80 {To be Determined} per pound for all P excess of 6.5 mg/l |

SECTION III: MISCELLANEOUS CHARGES

SERVICE INITIATION FEE

The purpose of this charge is to defray the labor and administrative costs associated with the establishment of a water and/or sewer account. This includes establishing service and account records for billing. Applicable to all accounts requiring field work, be it setting a meter, reconnection of service or reading the meter.

\$40.00 per event **{Proposed \$45.00}**
\$70.00 per event, outside of normal business hours of OWASA **{Proposed \$80.00}**

RECORD CHANGE CHARGE

The purpose of this charge is to defray the administrative costs associated with the transfer of responsibility for an account from one customer to another. This does not require field work and is done at the request of the new customer. Record changes are conditional on the customer signing a statement assuming responsibility for the account balance, paying the record change charge, any delinquent amounts and any applicable security deposit.

\$10.00 per record change **{No change proposed}**

RETURNED CHECK CHARGE

Checks or automatic bank drafts made payable to OWASA are accepted as payment on account subject to collection. When a check or bank draft is not honored for payment by the bank or other institution on which it is drawn, a Returned Check Charge will be applied to the customer's account as follows:

Returned Check: \$18.00 per event **{Proposed \$25.00}**
Dishonored Draft: \$18.00 per event **{Proposed \$25.00}**

The customer will be notified of the returned check charge and instructed to pay the amount due immediately. Failure to respond within the time allowed will result in disconnection of water service and an additional charge for reconnection. The customer may also be required to pay a security deposit.

CHARGE FOR RECONNECTION OF DELINQUENT ACCOUNTS

Disconnection of water and/or sewer service for nonpayment may occur at the option of OWASA no sooner than 21 calendar days after the date of initial billing. The purpose of this charge is to offset the costs of special handling of delinquent accounts, which may include, but not limited to, the disconnection and reconnection of service due to nonpayment of the customer's bill. This charge is to be applied to all accounts scheduled for disconnection for

nonpayment and is applicable on or after the specified disconnect date, regardless of whether the service was disconnected or not. Reconnection resulting from disconnection due to nonpayment will be made within 24 hours of receipt of full payment of balance due plus reconnection charge and applicable security deposit.

\$40.00 per event, during OWASA's normal business hours **{Proposed \$45.00}**

\$70.00 per event, outside OWASA's normal business hours **{Proposed \$80.00}**

CHARGE FOR TEMPORARY DISCONNECTION/SUBSEQUENT RECONNECTION AT CUSTOMER'S REQUEST

The purpose of this charge is to recover the cost to temporarily disconnect and subsequently reconnect water service at the request of a customer. Such requests may result from an emergency condition or routine plumbing system maintenance need. The charge may be waived if the customer provides documentation that a master cutoff valve has been installed within thirty (30) days of the date of the temporary service disconnection. However, this charge will not be waived for any customer who had a master cutoff valve on the premises before the temporary service disconnection. \$40.00 per event **{Proposed \$45.00}**

NEW CHARGE

LATE PAYMENT FEE

Most customers that are in arrears in their water and sewer bills do not reach the point of service termination due to nonpayment. However, costs are incurred related to collection efforts prior to service termination. This fee is designed to recover a portion of the cost of delinquent payment collection efforts that arise prior to service termination and are not recovered by charges for reconnection of delinquent accounts, and to encourage customers to make timely payments, thereby reducing the overall cost of delinquent account to the customer base.

Late Payment Fee: {Tentative Proposal - \$2.40 plus 0.42% a month (5% APR) of the outstanding balance. This is subject to confirmation that our billing system can accommodate a two-component late payment fee calculation.}

SECURITY DEPOSITS

OWASA may require security deposits from customers to ensure payment of the final bill. To offset administrative costs in handling these monies, no interest is paid on security deposits.

Security deposits shall be required on all accounts other than those in the name of (1) owners ~~or tenants~~ of single-family residential properties, detached or attached units, who can provide a satisfactory credit history or reference to OWASA, and (2) local, State and Federal governments or agencies thereof. Security deposits shall be required for accounts other than those in (1) and (2) above and shall be an average of three months' billing charges or \$50.00, whichever is greater. In (1) above where satisfactory credit history or reference is not provided, the initial security deposit shall be \$25.00 **{Proposed \$50.00}**. All security deposits must be paid at the time application for service is made and in advance of service initiation.

Any residential customer whose service has been disconnected for nonpayment of billing charges twice within a six month period of time will be required to pay a \$25.00 **{Proposed \$50.00}** security deposit prior to reconnection of service. Repeated disconnections will require additional security deposits until the customer has accumulated a security deposit balance, which will cover an average of three months' billing charges.

Security deposits of residential customers may be refunded after the customer has established a satisfactory payment history four twelve (12) consecutive months. Otherwise, security deposits will be applied to the final bill when a customer's account is terminated.

BULK WASTEWATER CHARGES

Normal Domestic Septage

The purpose of these charges is to recover the costs associated with the service rendered by OWASA to those customers who discharge normal domestic septic tank wastes into the wastewater treatment facilities of OWASA. Applicable to those customers who have an account established at OWASA's Customer Service Office, charges for handling normal domestic septage will be billed to the customer on a monthly basis. The monthly bill will include two components: (1) an administrative charge for special services required to receive this type waste and rendering the monthly bill; and (2) a charge for the treatment of the septage as determined by OWASA. This charge is calculated as follows:

| | |
|---|---|
| Monthly Administrative Charge | \$20.00/trip, plus {To be determined upon finalization of high-strength waste charges} |
| Volume Charge and High Strength Surcharge | \$57.00/thousand gallons {To be determined upon finalization of high-strength waste charges} |

Other High Strength Waste

Other wastes may be discharged to OWASA's septage facilities only with prior approval by OWASA and upon OWASA's direct inspection of the actual discharge. The costs associated with these services will be as follows:

NH₃-N = Ammonia Nitrogen
BOD = Biochemical Oxygen Demand
TSS = Total Suspended Solids
P = Phosphorus

Monthly Administrative Charge of \$20.00/trip, plus Volume and High Strength Surcharge calculated as follows:

A + B + C + D + E = Calculated Dollars per Thousand Gallons, where:

Other High Strength Waste (Continued)

A = pounds of NH₃-N/thousand gallons in waste x \$2.42/pound **{TBD}**

B = pounds of BOD/thousand gallons in waste x \$0.23/pound **{TBD}**

C = pounds of TSS/thousand gallons in waste x \$0.16/pound **{TBD}**

D = \$4.07 per 1,000 gallons Sewer Commodity Charge **{TBD}**

E = pounds of P/thousand gallons in waste x \$6.80/pound **{TBD}**

Waste concentrations shall be as determined by OWASA.

TANK SALES OR BULK WATER SALES

The purpose of this charge is to recover the labor and administrative costs associated with the supply of bulk quantities of water to tank trucks or trailers from a metering point on the premises of OWASA. Applicable to all tank or bulk water sales, the following charges apply for each loading.

| | |
|-----------------------|--|
| Administrative Charge | \$20.00 per trip, plus {Proposed \$24.00} |
| Commodity Charge | \$4.17 {Proposed \$4.43} per thousand gallons or portion thereof. |

Bulk sales are subject to administrative regulations and controls for protection of the system and efficient operation. Water tank trucks or trailers are only authorized to withdraw water from locations approved by OWASA and for which adequate usage monitoring measures are provided. Charges for bulk sales are not subject to seasonal adjustments.

DIRECT SALES OF SUPPLIES

Applicable to the direct sale of supplies from inventory to municipalities or contractors, the supplies will be billed at the most recent cost plus a handling charge of 10%. **{No change calculated}**

BOAT RENTAL AND LAKE USE FEES ***Effective March 1, 2008***

General Public

Applicable to all persons using row boats and canoes on University Lake and Cane Creek Reservoir during scheduled hours of operation as established by OWASA, boat rental and lake user charges will be as follows:

OWASA CUSTOMERS AND ORANGE COUNTY RESIDENTS

| <u>Day Use</u> | Existing | {Proposed} |
|--|---|---|
| Charge for each boat or canoe rental | \$7.00 for one-half day | \$8.00 for one-half day |
| Trolling motor rental | \$13.50 for one-half day | \$14.00 for one-half day |
| Lake Use Fee, Under 12 Years Old | \$1.25 per person | \$2.00 per person |
| Lake Use Fee, 12-64 Years | \$3.00 per person | \$4.00 per person |
| Lake Use Fee, 65 Years and over | \$1.25 per person | \$2.00 per person |
| INDIVIDUAL PASS Boat or canoe rental | \$69.00 per person. Each additional person in boat pays appropriate lake use fee. | \$75.00 per person. Each additional person in boat pays appropriate lake use fee. |
| Lake use pass - adult | Not available | \$40.00 |
| Boat with trolling motor rental | \$138.00 per person. Each additional person in boat pays appropriate lake use fee. | \$150.00 per person. Each additional person in boat pays appropriate lake use fee. |
| GROUP PASS Boat or canoe rental | \$138.00 (maximum of 3 people per pass.) Each additional person in boat pays appropriate lake use fee. | \$150.00 (maximum of 3 people per pass.) Each additional person in boat pays appropriate lake use fee. |
| Boat with trolling motor rental | \$207.00 (maximum of 3 people per pass.) Each additional person in boat pays appropriate lake use fee. | \$220.00 (maximum of 3 people per pass.) Each additional person in boat pays appropriate lake use fee. |

ALL OTHERS

Day Use

| | | |
|--------------------------------------|--------------------------|---------------------------------|
| Charge for each boat or canoe rental | \$11.50 for one-half day | \$12.00 for one-half day |
| Trolling motor rental | \$19.00 for one-half day | \$20.00 for one-half day |
| Lake User Fee, Under 12 years old | \$1.25 per person | \$2.00 per person |
| Lake User Fee, 12-64 Years | \$4.50 per person | \$5.00 per person |
| Lake User Fee, 65 Years and over | \$1.25 per person | \$2.00 per person |

UNC Boat Club

By agreement with OWASA and is applicable to all the University of North Carolina at Chapel Hill students, faculty and staff affiliated with boating or crew clubs sanctioned by The University.

FIELD TEST OF 5/8" METER

Upon a customer's written request, OWASA will conduct a special field test of the customer's 5/8" water meter. There will be no charge for testing meters (1) which have not been tested during the past five years, or (2) which are found to be over-registering. Over-registering meters will be replaced by OWASA at no charge to the customer.

If, however, the meter has been tested within the past five years and the results of the meter test indicate proper or under-registering, the customer will be charged \$50.00 **{Proposed \$75.00}** for the meter test.

SHOP TESTING OF METER

Upon a customer's written request, OWASA will conduct a special shop test of the customer's water meter that is larger than 5/8 inches. There will be no charge for testing meters (1) which have not been tested during the past five years, or (2) which are found to be over-registering. Over-registering meters will be replaced by OWASA at no charge to the customer.

If, however, the meter has been tested within the past five years and the results of the meter test indicate proper or under-registering, the customer will be charged \$80.00 **{Proposed \$114.00}** for the in-house meter test.

FIELD TEST OF LARGE METERS

Upon a customer's written request, OWASA will conduct a special field test of the

customer's water meter that is larger than 5/8 inches. There will be no charge for testing meters (1) which have not been tested during the past five years, or (2) which are found to be over-registering. Over-registering meters will be replaced by OWASA at no charge to the customer.

If, however, the meter has been tested within the past five years and the results of the meter test indicate proper or under-registering, the customer will be charged a meter test fee based on the actual time and equipment required to complete the field test. This charge shall not be less than \$100.00 **{Proposed \$216.00}**.

*****NEW CHARGE*****

REINSPECTION FEE

OWASA will initially inspect grease traps, cross connections and water and sewer taps at no cost to the customer. Should a subsequent reinspection be required for any of these fixtures, a \$94.00 fee will apply to each reinspection.

PLAN REVIEW AND CONSTRUCTION OBSERVATION FEES

The purpose of this charge is to recover the operating cost for providing review of construction plans for the extension of water and sewer facilities. The charge also recovers the operating cost for providing field observation on the installation of these facilities. The plan review and construction observation fees are applicable to all extensions of the public water and/or sewer system regardless of the party which may be undertaking the improvements. The fees will be applied separately to water main and sewer main extensions, but in no case shall the fee be less than \$100.00

| | | |
|---------------------------|------------------------|--------------------------|
| Plan Review: | \$1.96 per linear foot | {Proposed \$3.63} |
| Construction Observation: | \$1.79 per linear foot | {Proposed \$3.69} |

*****NEW CHARGE***SEWER LINE VIDEO INSPECTION FEE**

{ \$0.30 per linear foot }

CHARGES FOR MISCELLANEOUS SERVICES

Charges for miscellaneous services provided by OWASA shall be on a time and materials basis and include out-of-pocket expenses, cost of materials and services supplied by third parties, and overhead. Typical applications would be for repair of damages to water and sewer lines by outside parties, special services for billing information, expenses related to spill containment responses, etc.

TRANSFER OF CHARGES

Any unpaid balance from past due charges for water and/or sewer services of terminated

accounts or Charges for Miscellaneous Services will be transferred to any available active account(s) through which the customer is receiving services. The payment status of the active account through which the customer is receiving service will be determined by the payment status of transferred accounts.

OWASA may temporarily withhold service from a customer, or refuse service (including but not limited to individuals, corporations, or partnerships), from whom any unpaid, past due balance which is not in dispute is due OWASA for services or charges.

Accounts or portions of accounts, including charges for material or damaged property that are disputed and delinquent fees and delinquent assessment charges, may be submitted to the courts by the Executive Director, upon approval by General Counsel, for collection if such amounts do not exceed \$1,500.00. For amounts exceeding \$1,500.00, approval of the Board of Directors shall also be required prior to filing an action for collection.

| Date | Name | Summary of Comments (Comments by e-mail or letter are attached.) |
|-----------------|------------------------------------|--|
| April 9 | Richard Mercer | The proposed rates are far above the rate of inflation; with the present rate system, a customer using very little water pays far more per gallon than a customer using 6000 gallons per month [because of fixed monthly service charges]. |
| April 13 | Ms. Joy Harris | How will proposed rates affect apartments and businesses? Requested estimate of bills with proposed rates and comparison to those with current rates based on past water use. |
| April 15 | Ms. Sandra Cianciolo | OWASA should provide information on what customers will receive with the rate increase (phone call). |
| April 17 | Ms. Darrah Degnan | OWASA should reduce or eliminate fixed monthly water charges. |
| April 17 | Charles Zimmerli | The brochure was well done and the increases and rate structure look well considered and fair. Requested estimate of bills with proposed rates and comparison to those with current rates. |
| April 17 | Baylor Gibson | Block rates will be unfair to large families (phone call). |
| April 17 | Ray Lauver | OWASA should have a lower sewer billing cap (phone call). |
| April 19-24 | Denny Cook | Block rates are unfair to homeowners; would mean higher costs for individually-metered residential customers than for master-metered residents paying seasonal rates. |
| April 22 | Thomas Sugimoto | Proposed changes to the water rates are an excellent way to encourage conservation without dramatically increasing costs for minimal water use. |
| April 23 | Ms. Lynn Egan | What will OWASA do to adjust bills with block rates if meter readings are delayed? Requested estimate of bills with proposed rates and comparison to those with current rates based on past water use (phone call). |
| April 23 | Ms. Nancy Walker | Requested estimate of bills with proposed rates and comparison to those with current rates based on past water use (phone call). |
| April 23 | Ms. Nan Collie | Requested estimate of bills with proposed rates and comparison to those with current rates based on past water use (phone call). |
| April 23 and 24 | Dwight Smith | Disappointed in yearly rate increases and especially disappointed in the size and structure proposed for this year. |
| April 24 | (not listed at customer's request) | Increase coverage of the lowest block water rate from 2,000 gallons to 4,000 gallons per month at \$2.46 per 1000 gallons; provide more information to OWASA customers. |
| April 26 | Tilden Ward | Asked for clarification of who block rates would apply to and requested an estimate of bills with proposed rates and comparison to those with current rates based on past water use (visited |

| | | |
|-------------|---------------------|---|
| | | OWASA offices). |
| April 27 | Richard Ott | Requested estimate of bills with proposed rates and comparison to those with current rates based on past water use (phone call). |
| Date | Name | Summary of Comments (Comments by e-mail or letter are attached.) |
| April 28 | Andrew Gunning | Block rates put an undue burden on the individual homeowner; the use of a “stick” approach is fundamentally flawed; develop a plan that better balances the individual and commercial fee structures. |
| May 1 | Jeff Tillman | Block rates are a penalty “tax” on above average water users; educate to achieve conservation instead of using rates. |
| May 2 | Ms. Lydia Sigmund | Rate increase for master-metered apartment residents is too high; consider 3% increase instead of 9.5%. |
| May 2 | Dan Carmichael | Requested clarification of whether block rates would apply to rental property with five apartments (phone call). |
| May 3 | Ms. Christine Dudli | Requested estimate of bills with proposed rates and comparison to those with current rates based on past water use (phone call). |

COMMENTS RECEIVED FROM CUSTOMERS BY E-MAIL

From: Richard L. Mercer Sent: Monday, April 09, 2007 8:38 PM
To: Webmaster Subject: Proposed Rates and other matters

At present I use 2000 gallons per month with occasionally 1000. In looking at the present rate system, the customer who uses a minimum amount of water (me) pays far more than the customer using 6000 gallons per month. There is something real wrong with a system that penalizes the minimum user.

Proposed rates - didn't you guys just get a rate increase last year. The present proposed rates are far above the rate of inflation.

Sincerely

Richard L. Mercer Chapel Hill NC

From: Joy Harris Sent: Friday, April 13, 2007 10:09 AM
To: Greg Feller Subject: RE: Proposed changes and increases in OWASA's water and sewer rates and fees

Greg - how does this affect condo and townhome communities or businesses?

Joy Harris - PCA KDK Property Management

From: Charles Zimmerli Sent: Monday, April 16, 2007 6:03 PM
To: Webmaster Subject: Estimate

Greetings. Thanks for the mailed info on the rate changes. The brochure was well done and the increases and rate structure look well considered and fair. Per your offer, could you send an estimate of our bill monthly bill on account # [omitted].

Thanks, Charlie Z.

This e-mail is a follow-up to a telephone discussion.

From: Denny Cook Sent: Thursday, April 19, 2007 11:28 AM
To: Webmaster Cc: Denny Cook Subject: Proposed block rate is unfair to homeowners

Let me make a hypothetical of what our discussion was and the point I am trying to make.

According to the letter the average use per household is 6000 gallons per month.

So, if a house has its own meter, based on 6000 gallons of water use the water portion of the bill will be:

Water Rate: Current rate multiplied by the percent increase equals new rate per thousand gallons.

Sewer Rate: Current rate multiplied by the percent increase equals new rate per thousand gallons.

Proposed new rate for water: 2.90×6.25 percent = 3.08125 per thousand gallons.

Proposed new rate for sewer: 3.66×13.75 percent = 4.16325 per thousand gallons.

If you live in a community that has a master meter and you use 6000 gallons of water your new bill for the water and sewer portion of the bill will be:

$6 \times 3.08125 = 18.4875$ for water

$6 \times 4.16325 = 24.9795$ for sewer

Water portion of the bill would be: 18.49

Total Bill would be: 43.467

Now, let's look at what your bill would be if you live in a home with a single meter:

First 2000 gallons of water: 2.46 per 1000 gallons

3000 to 5000 gallons of water: 4.10 per 1000 gallons

5000 to 10,000 gallons of water: 5.53 per 1000 gallons

First 2000 gallons would be: 4.92

The next 3000 gallons would be: 12.30

The next 1000 gallons would be: 5.53

Water use portion of the bill would be: 22.75

So, the conclusion is that people who have a single meter are paying 4.26 per month more for their water use than a person who lives in a community with a master meter.

And the disparity gets much worse the more water that you use.

Another disparity is that a community with a master meter has the advantage of dividing the Service charges of the bill among the whole community.

The water service charge for a 3 inch line that serves a community is 140.59

The sewer service charge for a 3 inch line that serves a community is 61.36

The water service charge for a 5/8 in line that serves a single home is 10.43

The sewer service charge for a 5/8 in line that serves a single home is 7.24

The advantage of having a 3 inch line that serves a community is that the charge get divided up into very small pieces. One could easily argue that the service charge should be related to the amount of water passing thru the meter. As more water passing thru the meter means more use and more wear and tear which means more service.

So, if you live in a community of 150 units your portion of the service charges would be:

1.35 per month

But, if you live in a house your charges will be:

17.67 per month

Given the above it seems that a home with its own meter is paying a disproportionately more for water than a community with a master meter. I don't believe that this is fair. If the block rate is to be considered I believe that OWASA should consider a higher overall rate for communities that have a master meter or some other scenario to encourage those communities to also conserve water.

If you see errors in my math, please point them out.

Thank you.
Denny Cook

From: Denny Cook Sent: Tuesday, April 24, 2007 9:22 AM
To: Greg Feller Subject: RE: Proposed block rate is unfair to homeowners

Thanks for the comparisons. But, I don't understand something.

If block rates take effect, does that mean that seasonal rates will not apply to those who are paying block rates?

Also, I must say that I still do not agree with this block rate structure because an average user with a single meter will still be paying more for their water than a person in a condominium complex using the same amount of water. People should pay the same rate no matter the structure that they live in.

I agree with what OWASA is trying to do however, to encourage people to conserve water. I think there is a better way and here it is:

For residential accounts, get rid of the monthly service charges and build those charges into the water usage rates. This way someone using a lot of water would essentially be paying more service charges than someone using less water. This will encourage conservation and all residential accounts will pay the same rate.

Someone who does not use any water for a month will simply not pay anything.

Commercial accounts would not change. They would pay based on how they are paying now.

This will also encourage communities to submeter which will encourage conservation. I have found that if you live in a community that has a master meter and you do not receive a water bill then water is viewed as a free commodity.

I would like to add:

A person living in a single family house waters his lawn which means that much more of his water does not end up in the sewer system yet he is being charged for it. A person living in a condominium does not water his lawn or at least there is not much of a lawn to water so he would not be getting charged to the degree that a person in a single family home is getting charged.

Really the most fair way to bill should be based on use without.

Thank you.
Denny Cook.

From: Denny Cook Sent: Tuesday, April 24, 2007 10:10 AM
To: Greg Feller Subject: RE: Proposed block rates for individually metered residential customers

Yes. Please pass this email along to the board. I will try to attend at least one of those meeting and thank you for lending me your ear.

From: Denny Cook Sent: Tuesday, April 24, 2007 11:27 AM
To: Greg Feller Subject: RE: Sewer billing cap proposed --15,000 gallons per month for ind. residences

Yes I did see that, Thanks. But, the point I was trying to make is a greater percentage of the overall water usage of a single family house goes toward watering the lawn as opposed to a condo unit. So, a single family house pays a greater percentage of water that never makes it way to the sewer system than a condo unit.

A single family home is paying a greater overall burden than apartments, condominiums, etc. I think we can at least agree on that because the facts support what I am saying.

My hope is that this meeting sticks to the facts and does not try to make a social issue out of all of this. Chapel Hill has a bad habit of trying to make everything an issue of the haves vs. the have nots. I can easily see someone saying that since someone is living in an apartment and is disadvantaged they should not pay as much for water.

Thanks again for taking time to make sure we are both on the same page, at least that we understand where each other are coming from.

Denny

From: thomas_sugimoto Sent: Sunday, April 22, 2007 10:06 PM
To: Webmaster Subject: increasing block water rates

Dear OWASA,

I just wanted to tell you how happy I am with your new changes to the water rates. I think it is an excellent way to encourage conservation without dramatically increasing costs for minimal water usage.

Sincerely
Thomas Sugimoto

From: Dwight Smith Sent: Monday, April 23, 2007 9:35 PM
To: Webmaster Subject: RE: Proposed changes and increases in OWASA's water and sewer rates and fees

Thank you for the opportunity to provide feedback on your proposed rate increases. I am very disappointed in your clockwork yearly increases and am especially disappointed in the size and structure proposed for this year which can only be interpreted as a genuine gouge. By and large, I think you depend on customers not noticing your rate increases, but I intend to educate my neighbors this year to make sure that they are aware of this situation.

Regards,
Dwight Smith

From: Dwight Smith Sent: Tuesday, April 24, 2007 4:46 PM To: Greg Feller Subject: RE: Proposed changes and increases in OWASA's water and sewer rates and fees

I appreciate the information, but it's just too much. I've watched these rates escalate every year (I'd like to get these kinds of increases!) plus now you want to severely penalize those who use water for things other than basic needs. I'm all for conservation, but I'm not aware that this has been an issue since the extraordinary drought several years ago. Have the reservoir levels been below 80% since then? Conservation polices have been implemented and others could be adopted, so the only reason I can see that you're doing this is to raise more revenue, greatly disproportionately off those who use more water.

Regards,

Dwight

From: A. R. (full name omitted at customer's request) Sent: Tuesday, April 24, 2007 1:28 PM
To: Webmaster Subject: proposed rate increase

I read your proposed rate increase and I find it not sufficient to justify such a high increase.

Here are my questions and suggestions:

1. What is the rate for a. water, b. sewer that UNC-CH pays per unit (1,000 gallons) and what is the rate for other commercial users in this area?
2. Is their rate staggered based on their usage as you propose for single family home? I've been at UNC for a long time and have not noticed any concerns about conserving amount of water and sewer used. Please, explain what measures is OWASA taking for improving water and sewer conservation at major resource users in this area.
3. What is the percentage of your single family users that presently are using less than 2,000 gallons/month? In my opinion this amount is not sufficient for hygienic live of any sort for a family.
4. The lowest rate should allow families with low income to live a clean and comfortable life. Therefore, I request that you raise the lowest limit from 2,000 gallons to 4,000 gallons/month @ \$2.46 per 1000 gallons.
5. I agree that the rates are packaged in blocks depending on higher usage. Please note that not everyone in Chapel Hill is a millionaire and that many of us are already applying a lot of means to conserve the water for local and environmental reasons.

In summary, I believe that more comprehensive booklet needs to be supplied to your customers in which you will paint the whole picture instead of just limited information provided in the April 2007, before you organize the meeting proposed for 10 May 07. The discussion should start when customers of OWASA are informed on all rates of all users. Specific measures need to be implemented for major water and sewer consumers, not just for single home families.

I hope you will consider my comments and questions before your proposed May 10 meeting (but not later than at the meeting) and await your reply. If you decide to read my letter at the meeting, please use my initials instead of my full name.

From: Andrew Gunning Sent: Saturday, April 28, 2007 9:03 AM
To: Webmaster Subject: Proposed Water and Sewer Rates

Dear Board Members,

I would like to go on the record as being opposed to the proposed changes in our water and sewer rates. I believe that your proposal as explained in the recent brochure puts an undue burden on the individual home owner. I understand your desire to encourage water conservation but I believe the use of a "stick" approach is fundamentally flawed. I would hope that the board would reconsider the plan and develop one that better balances the individual and commercial fee structures. I would like for my email to be entered into the minutes for the upcoming OWASA Board meeting on May 10, 2007.

Sincerely,

Andy Gunning

From: Glen Greenstreet Sent: Tuesday, May 01, 2007 9:06 PM To: Greg Feller Subject: Water rate question...multi family

Hey Greg...

I have an OWASA rate structure question:

With the new ascending rate structure, how is OWASA tracking and billing for accounts that serve multiple residences? I have a meter at 621 MLK that serves 6 town homes. Do I get 6 times the volume of water at the lowest tier rate, and so on, or does the rate go up after the first 3000 gallons like any other residential account? Mostly I am just curious, but if the later is the case I would like to raise that issue as a matter of fairness...especially as the price tiers get steeper with the coming rate increase.

Thanks,

Glen Greenstreet

From: Jeff Tillman Sent: Thursday, May 03, 2007 4:45 PM
To: Webmaster Subject: Re: Proposed Rate Changes

A 16+% increase is still a big pill to swallow. Not many businesses (with the exception of health insurance companies) can get away with that and satisfy its customers. The average consumer's rate will increase at a much smaller rate if anything at all. Thus, as I stated earlier, the larger residential users and business owners will carry the burden of your increased revenues. Why not let the customers, both small and large, share that burden?

Jeff Tillman

PO Box 4692
Chapel Hill, North Carolina 27515

May 2, 2007

Dear OWASA Board of Directors:

I live in an apartment and I am confident that I use only a few thousand gallons of water each month. However, I do not know specifically how much because my water and sewer expenses are part of my rent each month.

Therefore, if my landlord passes on the 9.5% water and sewer rate increase to me and other residents, it will affect our rent accordingly. I will not be able to benefit from the block rates for other residential customers, but I will have the potential to be squeezed out of a community where I have lived for many years.

Very few Chapel Hill citizens in the middle income range can look forward to a 9.5% increase in their incomes.

Therefore, OWASA should work harder and smarter in order to avoid such a large increase. I suggest that OWASA instead strive to have only a 3% increase in rates. For many people, that is a better approximation of inflation in goods and services (other than gasoline, of course).

Sincerely,



Lydia Sigmund

8400 Pine Road
Philadelphia, PA 19111

4-17-07

Greg Feller
Public Affairs
OWASA
400 Jones Ferry Rd.
PO Box 366
Carrboro, NC 27510

Dear Mr. Feller:

RE: Water Rate Increases—Effect on Customers Who Use 1000 gallons per month or Less

I have lived the past 15 years at 1002 Willow Drive, #40, a condominium which is billed individually for water/sewage. For the past 10 years I have been interested in conservation of the earth's resources. I have accepted suggestions from the Water Board for conserving water, including installing the recommended 1.6 liter capacity commode. Currently I use less than 1000 gallons per month, or at most 1000 gallons per month.

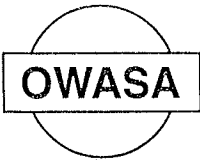
Over the years the basic charges for water and sewage regardless of usage have increased. While I understand the need for some basic charge as guaranteed income, I feel strongly that persons who are using as little as I do, should be charged a lower fee. In some ways the block water rate would address this which is good; in other ways flat fees are hardest on those at the low end of usage and income.

Although I have moved April 1 to live temporarily in Philadelphia, I continue to own my place in Chapel Hill and continue to be interested in conservation of resources, including consideration for those who are able to effectively reduce their usage, which can benefit others who need it.

Yours sincerely,



Darrah Degnan
ddegnan@mindspring.com
215-342-2039



ORANGE WATER & SEWER AUTHORITY

Quality Service Since 1977

May __, 2007

Moses Carey Jr., Chair
Orange County Board of
Commissioners
P.O. Box 8181
Hillsborough, NC 27278

Mark Chilton, Mayor
Town of Carrboro
301 West Main Street
Carrboro, NC 27510

Kevin Foy, Mayor
Town of Chapel Hill
405 Martin Luther King Jr.
Boulevard
Chapel Hill, NC 27514

SUBJECT: PROPOSED WATER AND SEWER RATE CHANGES AND INCREASES; PRESENTATIONS TO THE ORANGE COUNTY BOARD OF COMMISSIONERS AND CARRBORO BOARD OF ALDERMEN ON MAY 15TH AND TO THE CHAPEL HILL TOWN COUNCIL ON MAY 21ST

Dear Chair Carey, Mayor Chilton and Mayor Foy:

Thank you for giving us the opportunity to make presentations to each of the local governing Boards regarding our water and sewer rate proposals.

As a follow-up to the information we provided to you on April 2, 2007 and as background information for our upcoming presentations, I would like to focus in this letter on two questions.

- 1. How much revenue does OWASA need to continue the high quality of water and sewer service that our customers expect, and for what purposes?*

We will not adopt a budget for Fiscal Year 2007-08 until June. However, our Preliminary Budget for the coming year totals \$46.3 million:

\$18.4 million for capital improvements
18.2 million for operations and maintenance
9.7 million for debt service
\$46.3 million

As shown, our projected capital improvement costs and debt service for capital projects total \$28.1 million or 61% of our budget.

For several years, the capital program costs have constituted the majority of our annual budgets, because OWASA recognizes the need to properly fund the renovation and replacement of aging

and inadequate facilities. The true cost of water and wastewater services includes the cost of renewing and updating utility assets to protect their value, functionalities and sustainability.

Many of our community's water and sewer mains and other infrastructure are now several decades old. If we do not keep our water system working well, the result will be frequent leaks in old mains, service interruptions and therefore less reliable service to the community. We believe our customers expect high quality service, including service they can count on to be reliable.

On the sewer side, inadequate and old facilities would mean more wastewater overflows into the community's natural environment and less than acceptable quality in the treated water we release to Morgan Creek and Jordan Lake, a regional water source. We believe that our decision in 2002 to proceed with the \$50 million upgrade and expansion of the Mason Farm Wastewater Treatment Plant is fully consistent with our community's very strong environmental protection values.

As a matter of basic fairness to our present customers, we need to spread the cost of capital improvements to future years when future customers will benefit from long-lived assets. Like cities and counties, we therefore finance a significant portion of our capital program with long-term bonds.

Further, to obtain favorable interest rates in the bond market and thus hold down the interest costs factored into the rates our customers pay, we need to maintain strong fiscal performance that will result in excellent evaluations by national credit rating agencies and major investors. The proposed rate increases will strengthen our financial parameters including the ratio of our debt service to net income.

Our rates and fees must also ensure adequate funding for our operation and maintenance needs. Increasingly stringent treatment standards, escalating energy and material costs, and other factor are all contributing to upward pressure on our rates and fees.

Although the combined increase in monthly water and sewer rates is proposed to be 9.5%, we want to emphasize that the proposed water rate increase is limited to 6.25%, similar to adjustments in recent years; and the proposed monthly sewer rate increase is 13.75%. The latter reflects costs including debt service for the \$50 million Mason Farm Wastewater Treatment Plant improvements (now nearing completion) to improve the reliability and performance of our treatment processes and to eliminate odor.

2. *How should OWASA raise funds to meet the community's water resource needs?*

OWASA's rates and fees are founded on three primary principles.

First, in accord with the 1976 Agreements of Sale and Purchase among the Towns of Chapel Hill and Carrboro, the University and OWASA, we have cost-of-service rates, fees and charges. Underlying this policy and contractual requirements is the basic concept that the people who benefit from a service should pay for its cost.

As a public entity with an appointed rather than an elected Board, and in accord with the 1976 agreements, OWASA does not set rates and fees based on the income of individual customers or based on geographic location.

Second, growth should pay for growth. The proposed increases in our Water and Sewer Service Availability Fees are based on this concept as well as the corollary cost-of-service ratemaking requirement. We recognize that the increases in the sewer availability fees are significant, and we emphasize that this fee properly reflects the \$50 million of improvements at our Mason Farm Wastewater Treatment Plant and other sewer system improvements.

Third, our rates and fees should encourage conservation because adequate, high quality water is one of our community's most precious assets and is essential for the public health, our economic well-being and our overall quality of life.

Conservation is the reason that we implemented seasonal water rates for all customers in May, 2002. The increasing block rates proposed for individually-metered single-family residential customers will strengthen our pricing signal, especially for non-essential water uses. Increasing block rates will also help offset rate increases for customers who use less water than the average.

Please see the attached examples of water and sewer bills with increasing block rates and with the current seasonal rates.

The seasonal rate structure is proposed to continue for other customers because the increasing block rate structure would not fit or be fair to the variety of commercial, institutional and master-metered multi-family customers. The seasonal rates have also proven to be an effective pricing strategy for reducing peak water demand by non-residential customers.

While education and information are an important part of our overall conservation program, an appropriate rate structure is essential to achieve our conservation goals. Increasing block rates for residential customers have proven successful in many other communities and increasing block rates are prevalent where water is scarce.

The block rate structure would also more equitably allocate a greater share of water system costs to high-volume customers whose demand creates the need for higher system capacity. At the same time, water-wise customers will typically experience lower bill increases than the combined 9.5% rate increase because they will benefit from the lower block rates applicable to consumption under 6,000 gallons per month.

Finally, conservation can significantly reduce long-term OWASA system costs to our customers, if we can avoid the need to get an additional water source such as Jordan Lake. The estimated capital cost of obtaining water from Jordan Lake is nearly \$40 million.

Conclusion

We look forward to meeting with you later this month and the opportunity to receive your feedback and respond to your questions.

Please feel free at any time to contact me at 918-3651 or Ed Kerwin, our Executive Director, at 537-4211 with questions or comments.

Sincerely,

Michael A. (Mac) Clarke, Chair
OWASA Board of Directors

Enclosure: Additional information about the proposed increasing block rates for individually-metered residential customers including examples of residential OWASA bills at proposed and current rates

- c: OWASA Board of Directors
Ms. Laura Blackmon, Orange County Manager
Mr. Roger Stancil, Chapel Hill Town Manager
Mr. Steve Stewart, Carrboro Town Manager
Ms. Carolyn Elfland, Associate Vice Chancellor for Campus Services
Ed Kerwin, OWASA Executive Director

PROPOSED INCREASING BLOCK WATER RATES
FOR INDIVIDUALLY-METERED RESIDENTIAL CUSTOMERS

Increasing block water rates are proposed for customers in individually-metered residences including traditional single-family homes and some townhouses, condominiums, and apartments. Several thousand customers in multi-family developments receive service through a “master meter” rather than individual meters and increasing block rates would not apply to them.

With increasing block rates, which would apply year-round, the charge per thousand gallons of water use would rise as a customer’s water use rises. The proposed increasing block water rates are:

| Level of water use per month | Charge for volume of water use |
|----------------------------------|--------------------------------|
| first 2,000 gallons of water use | \$2.46 per 1,000 gallons |
| 3,000 to 5,000 gallons | \$4.09 per 1,000 gallons |
| 6,000* to 10,000 gallons | \$5.53 per 1,000 gallons |
| 11,000 to 15,000 gallons | \$7.46 per 1,000 gallons |
| 16,000 gallons or more | \$13.05 per 1,000 gallons |

* The average single-family residential household in our community uses slightly less than 6,000 gallons of water per month.

For a typical customer using 6,000 gallons of water per month:

- ✓ The proposed charge for the first 2,000 gallons would be \$4.92 (2,000 gallons times \$2.46 per 1,000 gallons).
- ✓ The proposed charge for the third, fourth and fifth thousand gallons would total \$12.27 (3,000 gallons times \$4.09 per 1,000 gallons).
- ✓ The proposed charge for the sixth thousand gallons would be \$5.53 for a total charge of \$22.72 (\$4.92 + \$12.27 + \$5.53) for water volume only.

Our bills also include fixed monthly water and sewer service charges based on meter size, and a uniform charge per 1,000 gallons of sewer service, and we calculate our bills from meter readings rounded down to the nearest 1,000 gallons.

Increasing block rates would mean that residential customers who use large amounts of water would pay a greater share of the system capacity costs for water supply and treatment facilities needed to meet their higher water demand. Many high volume residential water users would have higher bills with block rates. If the effect of the proposed 9.5% rate increase is not considered, the proposed residential block rate structure would mean lower bills for customers who use small amounts of water each month.

EXAMPLES OF RESIDENTIAL WATER AND SEWER BILLS WITH CURRENT AND PROPOSED RATES

Example 1: A typical household in a single-family residence using 6,000 gallons of water per month throughout the year.

At current rates, the monthly water and sewer bill averages **\$63.56**. (With seasonal water conservation rates, our bills vary by time of year.)

With the proposed block rates and 9.5% rate increase, the monthly bill would be **\$67.00**.

Increase: 5.4%

Example 2: A household using 8,000 gallons per month from October through April and 20,000 gallons per month from May through September.

At current rates, our monthly bills over a full year average **\$124.70**. (With seasonal water conservation rates, our bills vary by time of year.)

With the proposed rate changes including the sewer billing cap, the bills would be \$86.38 from October through April and \$229.11 from May through September, or an average of **\$145.85**.

Increase: 16.9%

Example 3: A household using 3,000 gallons of water per month throughout the year.

At current rates, the monthly water and sewer bill averages **\$40.61**. (With seasonal water conservation rates, our bills vary by time of year.)

With the proposed block rates and 9.5% rate increase, the monthly bill would be **\$40.81**.

Increase: 0.5%

Example 4: A household using 2,000 gallons of water per month throughout the year.

At current rates, the monthly water and sewer bill averages **\$32.97**. (With seasonal water conservation rates, our bills vary by time of year.)

With the proposed block rates and 9.5% rate increase, the monthly bill would be **\$32.56**.

Decrease: 1.1%

Example 5: A household using 10,000 gallons of water per month throughout the year.

At current rates, the monthly water and sewer bill averages **\$94.15**. (With seasonal water conservation rates, our bills vary by time of year.)

With the proposed block rates and 9.5% rate increase, the monthly bill would be **\$105.76**.

Increase: 12.3%

DRAFT

AGENDA ITEM

- **PERFORMANCE MEASUREMENT REPORT FISCAL YEARS 2003-2007**

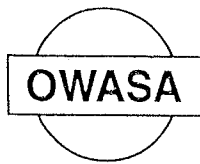
PURPOSE

- The purpose of this report is to provide key performance indicators for OWASA's operations and business activities in order to objectively measure the effectiveness of OWASA's continuous improvement efforts.

ACTION NEEDED

- Discussion by the Board of Directors and direct staff accordingly.

May 10, 2007



ORANGE WATER & SEWER AUTHORITY

Quality Service Since 1977

MEMORANDUM

TO: Board of Directors

FROM: Ed Kerwin

DATE: May 4, 2007

SUBJECT: **Performance Measurement Report Fiscal Years 2003-2007**

Attached for your review is our Performance Measurement Report for Fiscal Years (FY) 2003-2007 (through December 31, 2006).

Our Performance Measurement Report was last reviewed by the Board on October 26, 2006 and it was generally agreed that staff should abbreviate the report to include only key performance indicators. It was also suggested that various Board Committees may also wish to review the Performance Measurement Report and suggest further improvements.

The attached report has been shortened to include key performance indicators. While staff keeps and evaluates much more data than is included in this report, we believe this report will allow the Board (and public) to determine how well OWASA is performing. As always, staff welcomes the Board's feedback and guidance.

From July 1, 2006 through December 31, 2006, the following comments are provided regarding notable variances from expectations.

Water Distribution

- **Meters changed out:** the meter change out program has been on hold pending a resolution to issues associated with integrating our radio read meters and the billing software. Our billing system software vendor has recently developed and provided configuration files to allow the radio readings to be uploaded correctly to billing system. Field crews will be installing about 200 meters per week in an effort to get the meter change out program back on track (1,000 meters/year).
- **New meters set:** the reduction in the number of new meters installed is a reflection of a downturn in new construction. This reduction is also reflected in the number of fee schedules calculated and the amount of service availability fees collected during the first six months of Fiscal Year 2007 for single family residential development.

Wastewater Collection

- **Sewer line video inspection:** the crews normally involved in the video inspection of sewer mains were redirected to the water service line change over program. This


Performance Measurement Report FY 2003-2007

May 4, 2007

Page 2

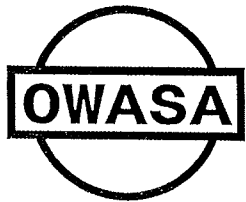
resulted in a reduction in the footage of sewer mains inspected. In the first quarter of 2007 the crews have returned to video inspecting approximately 1.5 miles per month.

Should you have any questions about the comments provided or the information detailed on the individual departments performance measurement reports, please do not hesitate to contact me.



Ed Kerwin
Executive Director

Attachment



Performance Measurement Report

Fiscal Years 2003 – 2007
(Through 12/31/06)

ORANGE WATER AND SEWER AUTHORITY
Chapel Hill – Carrboro, North Carolina

Purpose: to provide key performance indicators for OWASA's operations and business activities in order to objectively measure the effectiveness of OWASA's continuous improvement efforts.

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Water Supply and Treatment

The Water Supply and Treatment function is the responsibility of the Water Supply and Treatment Manager and is responsible for the operation of the Cane Creek, University Lake and Stone Quarry reservoirs and recreation facilities, the Jones Ferry Road Water Treatment Plant, and the elevated storage tanks within the finished water distribution system.

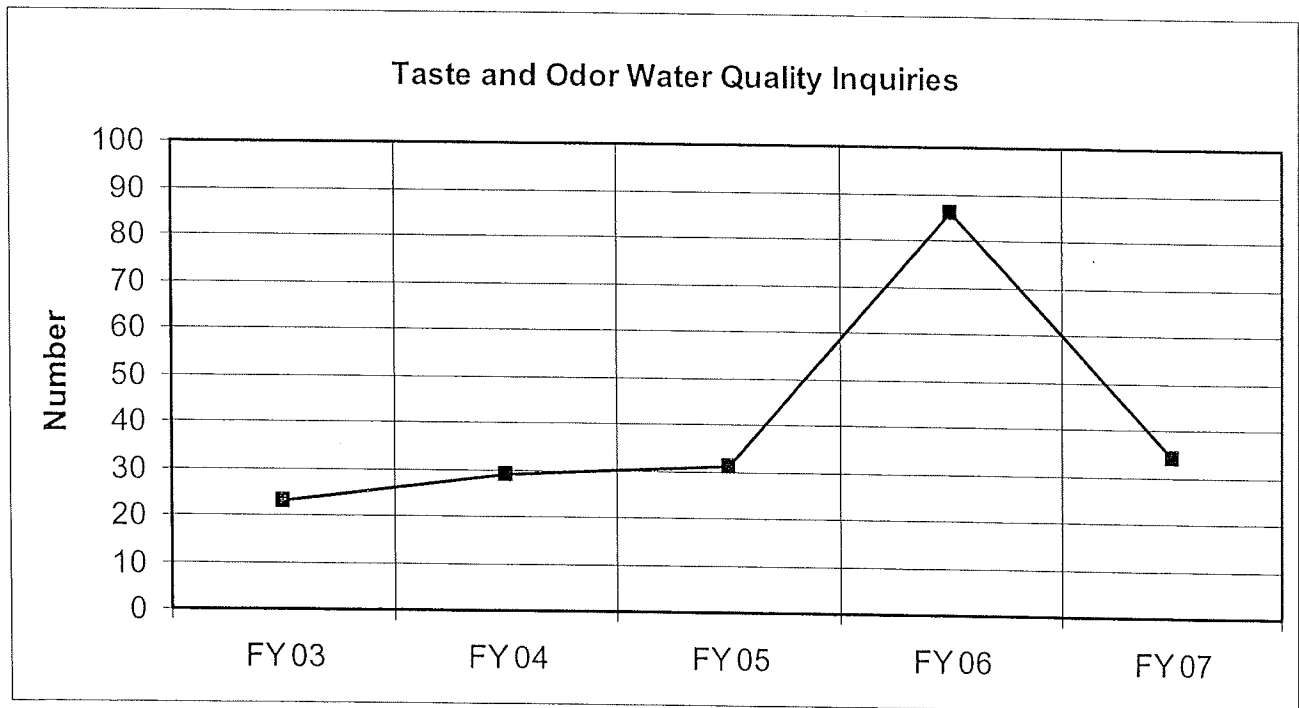
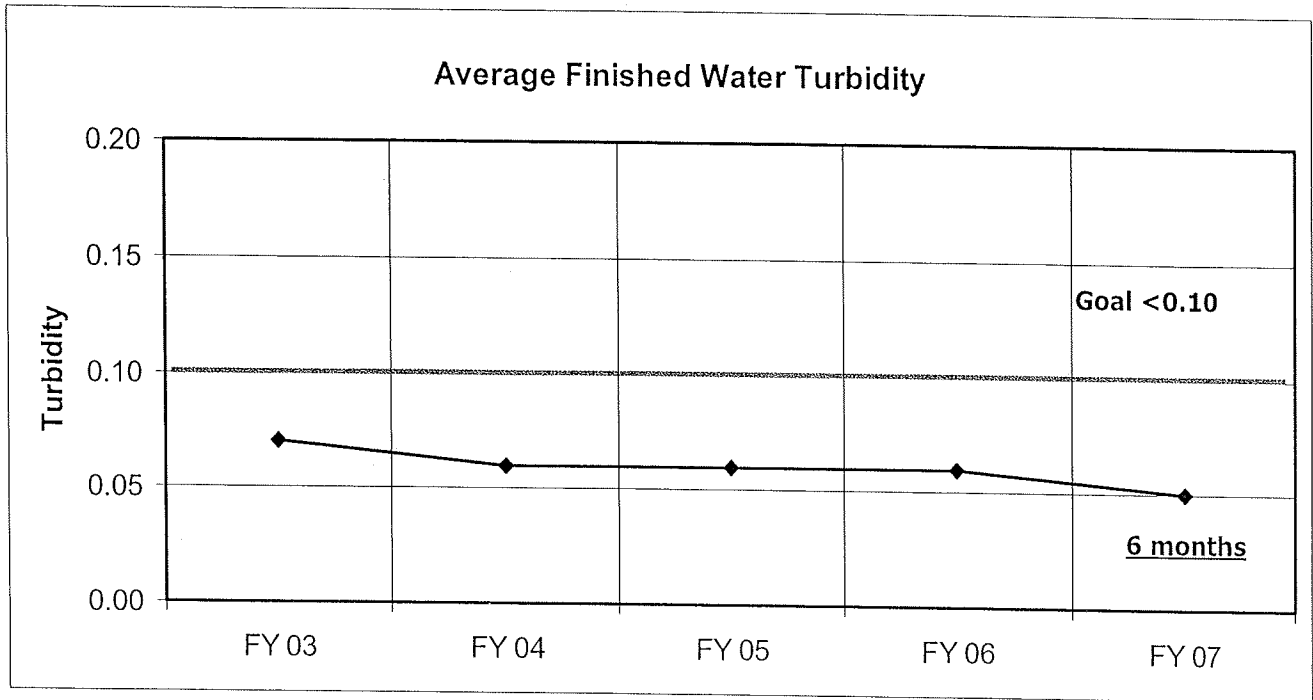
PERFORMANCE MEASURES:

| <u>Type</u> | <u>Measurement</u> |
|---------------|---|
| Workload | Finished water pumped to distribution system <i>Measure of the number of million gallons of finished drinking water pumped from the Jones Ferry Road Water Treatment Plant to the water distribution system.</i> |
| | Total solids removed <i>The amount of solids removed from the water treatment process.</i> |
| | Solids beneficially reused <i>The percent of solids that were removed from the water treatment process that were treated and recycled for beneficial use.</i> |
| Efficiency | Kilowatt hours used per thousand gallons treated <i>A measure of the total energy units required to pump and treat one thousand gallons of raw water.</i> |
| Effectiveness | Number of primary drinking water standards noncompliances <i>A monthly report is filed with the North Carolina Division of Environmental Health regarding the quality of the drinking water. Any noncompliance of primary drinking water standards would be reported.</i> |
| | Number of secondary drinking water standards noncompliances <i>A monthly report is filed with the North Carolina Division of Environmental Health regarding the quality of the drinking water. Any noncompliances of secondary drinking water standards would be reported.</i> |
| | Average finished water turbidity <i>A measure of the presence of suspended and colloidal matter in the finished water. The analytical measurement is reported in nephelometric turbidity units (NTU).</i> |
| | Number of water quality inquiries <i>The number of customer water quality inquiries and complaints received from OWASA customers by the Laboratory Staff. Inquires are divided into five categories including taste and odor, chlorine taste or smell, discolored water, other complaints, and information requests.</i> |
| | NPDES permit noncompliance <i>The number of NPDES permit violations for processed water discharged to the Rocky Brook Branch.</i> |
| | Process water as a percentage of total raw water treated <i>The total quantity of water required in the day to day operation (pump seal water, chemical carrier water) and maintenance (cleaning and solids removal) of the various treatment processes. It is measured as a percentage of the total raw water treated.</i> |
| | Process water recycled as a percentage of total process water <i>The volume of treated process water beneficially reused.</i> |

Water Supply and Treatment

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 07 July - Dec | FY 07 Jan - Jun |
|---|--|---------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|--------------------|
| W O R K L O A D | Finished Water Pumped TOTAL | MG | 2,945 | 3,067 | 3,055 | 3,142 | 1,646 | N/A | 1,646 | |
| | to the Distribution System AVERAGE DAY | MGD | 8.1 | 8.4 | 8.4 | 8.6 | 9.0 | | 9.0 | |
| | Total solids removed | DRY TONS | 551 | 482 | 478 | 579 | 318 | N/A | 318 | |
| | Solids beneficially reused | % | 0 | 79 | 100 | 100 | 100 | N/A | 100 | |
| E F F I C I E N C Y | Energy units per 1,000 gallons | KWH/ 1,000 | 0.98 | 0.95 | 1.02 | 1.1 | 0.9 | N/A | 0.9 | |
| | Raw water pumping | Gal. | 1.10 | 1.10 | 1.18 | 1.1 | 1.0 | N/A | 1.0 | |
| | Finished water pumping | | | | | | | | | |
| E F F E C T I V E N E S S | Primary drinking water standards non-compliances | EA. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Secondary drinking water standards non-compliances | EA. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Average finished water turbidity | NTU | 0.07 | 0.06 | 0.06 | 0.06 | 0.05 | < 0.10 | 0.05 | |
| | Water quality inquiries: | TOTAL | 155 | 153 | 216 | 317 | 174 | N/A | 174 | |
| | Taste & odor | EA. | 23 | 29 | 31 | 86 | 34 | | 34 | |
| | Chlorine | EA. | 7 | 6 | 3 | 20 | 0 | | 0 | |
| | Discolored | EA. | 24 | 10 | 24 | 12 | 11 | | 11 | |
| | Other | EA. | 17 | 22 | 64 | 57 | 15 | | 15 | |
| | Information requests | EA. | 84 | 86 | 94 | 142 | 114 | | 114 | |
| | NPDES permit noncompliance | EA. | 0 | 1 | 0 | 0 | 0 | 0 | 0 | |
| Process water as a percentage of total raw water treated | % | 9.1 | 9.5 | 7.5 | 7.8 | 7.0 | < 8.0 | 7.0 | | |
| Process water recycled as a percentage of total process water | % | 92 | 81 | 83 | 87 | 91 | > 90 | 91 | | |

Water Supply and Treatment



Water Distribution

The Water Distribution function is the responsibility of the Distribution and Collections System Manager and is responsible for operating and maintaining the finished water distribution system from the Jones Ferry Road Water Treatment Plant to the meters at the customers' premises except the finished water storage tanks.

PERFORMANCE MEASURES:

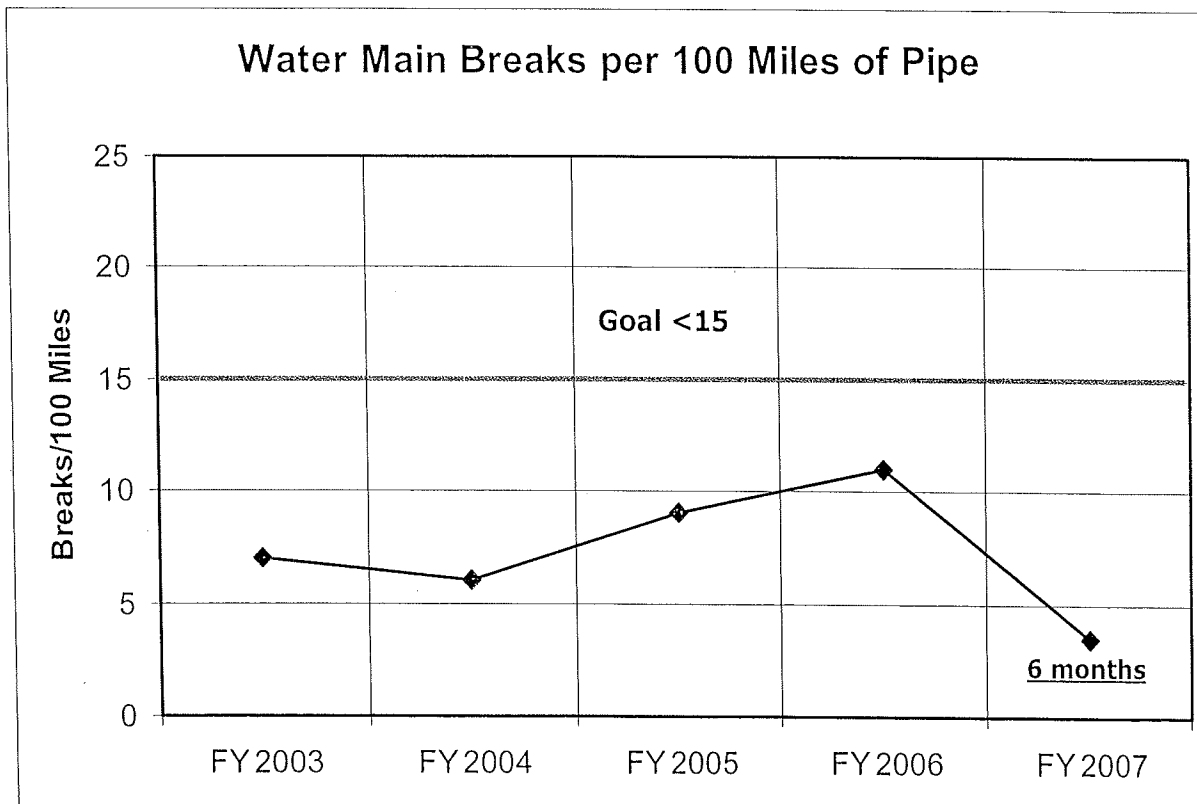
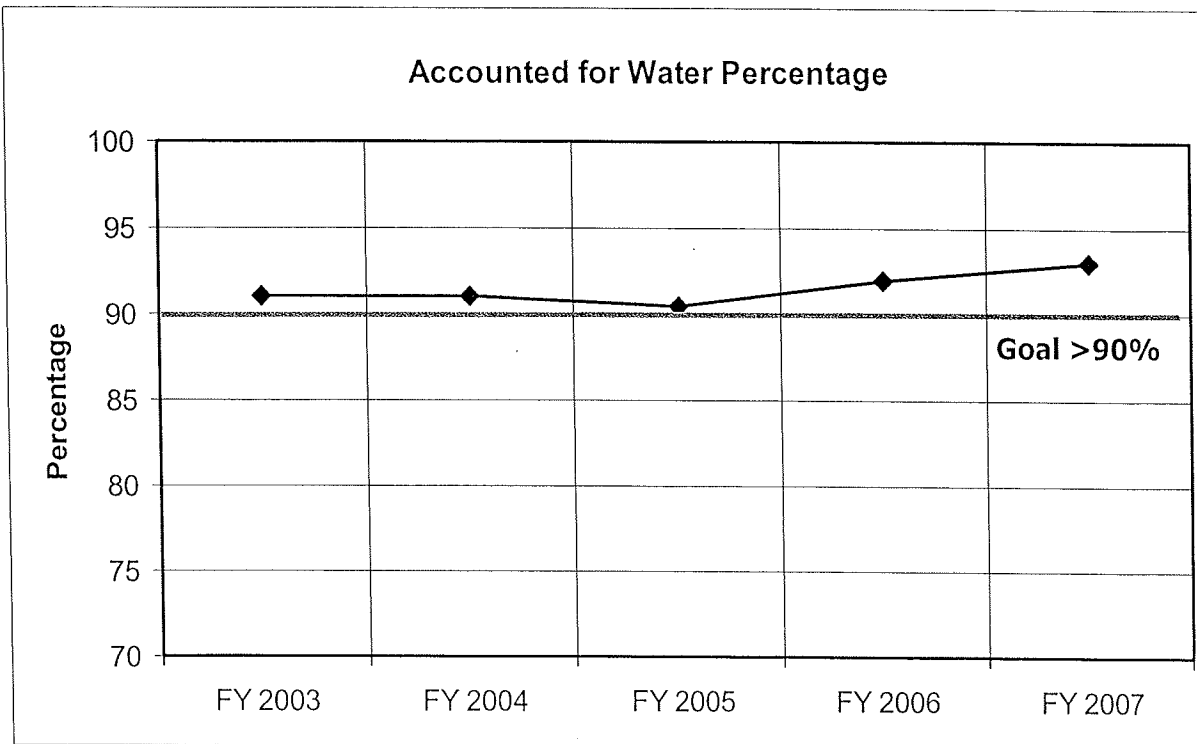
| <u>Type</u> | <u>Measurement</u> |
|---------------|--|
| Workload | Length of pipe in system <i>Miles of finished water distribution piping maintained from the Jones Ferry Road Water Treatment Plant to the customers' service lines.</i> |
| | Feet of pipe replaced in-house <i>Total footage of water distribution piping replaced by in-house crews as part of the ongoing renewal and replacement program.</i> |
| | Meters changed out <i>The number of meters replaced.</i> |
| | New meters set <i>The number of new service meters installed.</i> |
| Efficiency | Percentage of distribution system uni-directional flushed <i>The number of flushing sequences completed to the total number of flushing sequences within the distribution system (a water quality task).</i> |
| Effectiveness | Accounted for water percentage <i>The volume of finished water billed divided by the volume of finished water pumped to the distribution system.</i> |
| | Main breaks per 100 miles of pipe <i>The number of main breaks per 100 miles of water distribution pipe.</i> |
| | Percent of emergency repairs completed within 5 hours <i>The number of emergency repairs completed within 5 hours divided by the total number of emergency repairs completed.</i> |
| | Meter reading accuracy <i>Percentage of meters read accurately for which the data is used as the basis for customers' bills.</i> |
| | Customer Effectiveness rating on rehabilitation projects <i>Rating from 1 to 5 (5 being highest) by OWASA customers of our water main rehabilitation program.</i> |

Water Distribution

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 07 Jul - Dec | FY 07 Jan - Jun |
|---|--|--------------------|----------------|----------------|----------------|-----------------------------|----------------|----------------|--------------------|--------------------|
| W O R K L O A D | Length of pipe in system | MILES | 340 | 343 | 346 | 387 | 387 | N/A | 387 | |
| | Pipe replaced in-house | FT. | 7,128 | 5,764 | 7,510 | 10,821 | 3,060 | 9,000 | 3,060 | |
| | Meters changed out | EA. | 506 | 409 | 800 | 86 | 48 | 960 | 48 | |
| | New meters set | EA. | 362 | 425 | 412 | 232 | 74 | N/A | 74 | |
| E F F I C I E N C Y | Distribution System Uni-directional Flushed | % | | | | <u>*64% complete</u> | | N/A | 2 | |
| E F F E C T I V E N E S S | Accounted for water percentage | % | 91 | 91 | 91 | 95 | 93 | >90 | 93 | |
| | Number of main breaks per 100 miles of pipe | NO./ 100 MILE | 7 | 6 | 9 | 12 | 4 | <15 | 4 | |
| | Percent of emergency repairs completed within 5 hours | % | 97 | 98 | 98 | 98 | 98 | >90 | 98 | |
| | Meter reading accuracy | % | 99 | 99 | 99 | 99 | 99 | 100 | 99 | |
| | Customer effectiveness rating on rehabilitation projects | 1-5 (5 Highest) | 4.4 | 4.2 | 4.4 | 4.4 | 4.3 | >4.0 | 4.3 | |

* New measurement added to report. As of the current reporting period 64% of the unidirectional work has been completed.

Water Distribution



Wastewater Collection

The Wastewater Collection function is the responsibility of the Distribution and Collection Systems Manager and is responsible for operating and maintaining the wastewater collection system from the customer's service lateral to the Mason Farm Wastewater Treatment Plant, except the wastewater pumping stations.

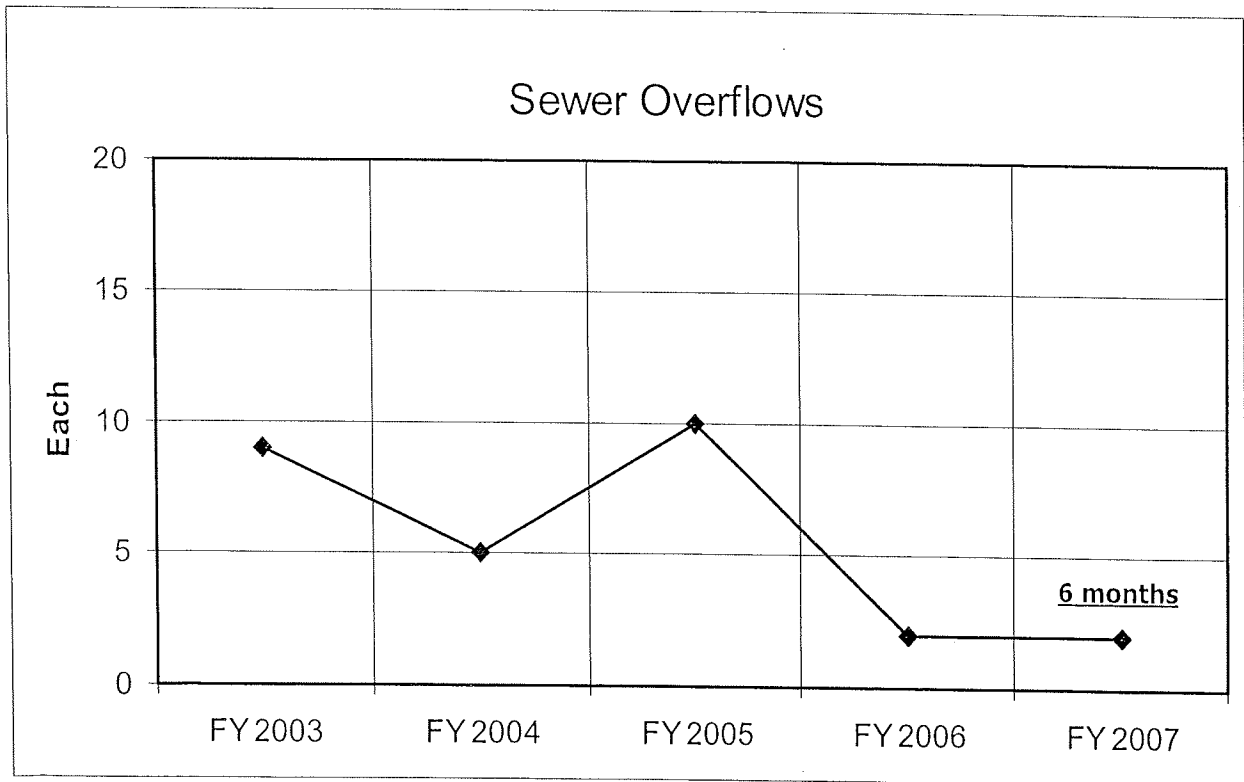
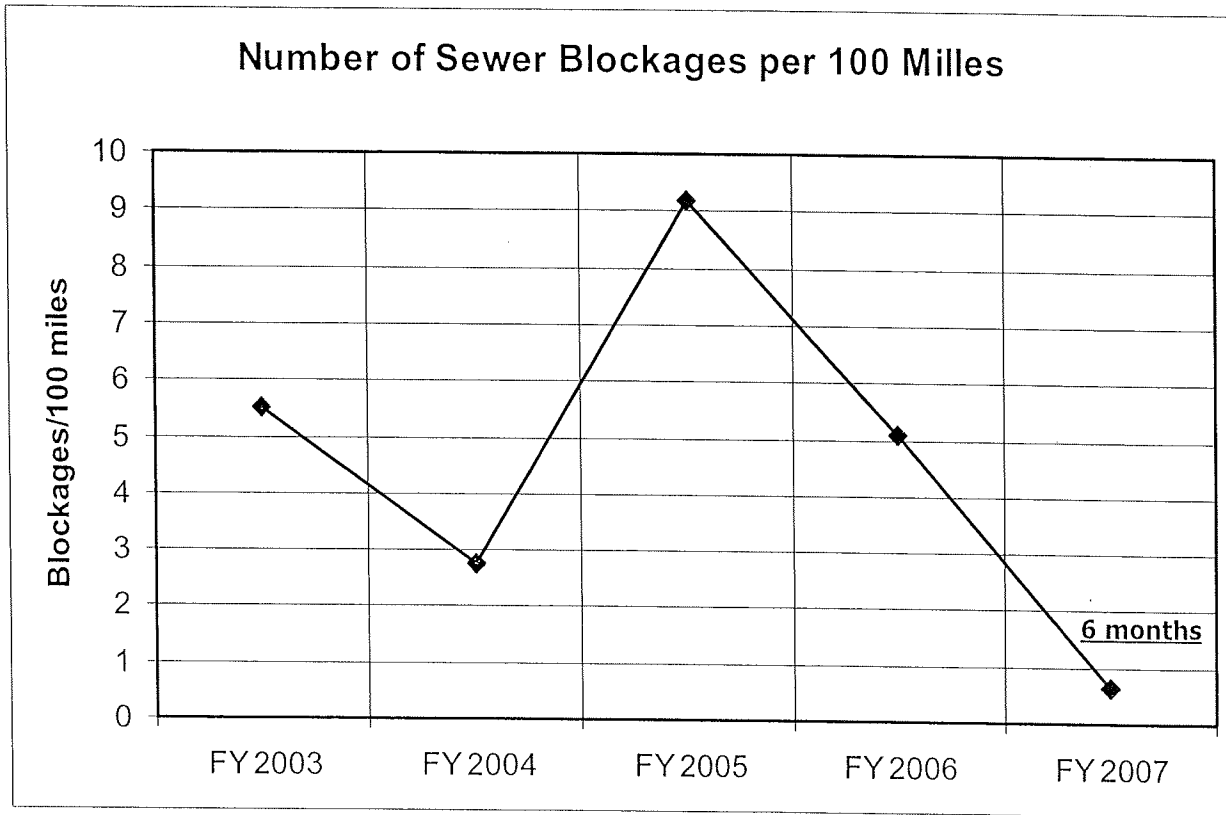
PERFORMANCE MEASURES:

| <u>Type</u> | <u>Measurement</u> |
|-------------|---|
| Workload | Miles of pipe maintained <i>Miles of wastewater collection piping maintained from the customers' service laterals to the Mason Farm Wastewater Treatment Plant.</i> |
| | Miles of easement maintained <i>The miles of sewer easement mowed and kept clear.</i> |
| | Miles of pipe televised <i>The miles of sewer pipe televised.</i> |
| | Miles of pipe cleaned <i>The miles of sewer pipes flushed and cleaned.</i> |
| | Effectiveness |
| | Number of sewer blockages per 100 miles of pipe maintained <i>Total number of sewer blockages per 100 miles of sewer pipe.</i> |
| | Number of blockages due to roots <i>Number of sewer pipe blockages due to roots.</i> |
| | Number of blockages due to grease <i>The number of sewer pipe blockages due to grease.</i> |
| | Sewer overflows <i>Number of reportable wastewater overflows that occur in the OWASA wastewater collection system.</i> |
| | Sewer overflow per million gallons treated <i>The total gallons of wastewater overflows divided by that total volume (MG) of wastewater treated.</i> |

Wastewater Collection

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 07 Jul - Dec | FY 07 Jan - Jun |
|--------------|---|------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|--------------------|
| WORKLOAD | Pipe maintained | MILES | 288 | 294 | 296 | 312 | 314 | N/A | 314 | |
| | Sewer easement mowed | MILES | 57 | 92 | 100 | 141 | 71 | 140 | 71 | |
| | Sewer line video inspected | MILES | 28 | 13 | 17 | 12 | 3 | 14 | 3 | |
| | Sewer line cleaned | MILES | 119 | 138 | 182 | 173 | 71 | 150 | 71 | |
| EFFICIENCIES | Number of sewer blockages per 100 miles of sewer pipe | NO./ 100 MILE | 5.5 | 2.7 | 9.2 | 5.1 | 0.3 | TBD | 0.3 | |
| | Number of blockages due to roots | EA. | 10 | 13 | 4 | 4 | 0 | <10 | 0 | |
| | Number of blockages due to grease | EA. | 5 | 9 | 5 | 2 | 0 | TBD | 0 | |
| | Sewer overflows | EA. | 9 | 5 | 10 | 2 | 2 | 0 | 2 | |
| | Sewer overflow per million gallons treated | GAL/MG | 10.15 | 5.32 | 27.26 | 14.00 | 7.5 | 0 | 7.5 | |

Wastewater Collection



Wastewater Treatment

The Wastewater Treatment function is the responsibility of the Wastewater Treatment & Biosolids Recycling Manager and is responsible for operation of the Mason Farm Wastewater Treatment Plant (WWTP), and the biosolids management program.

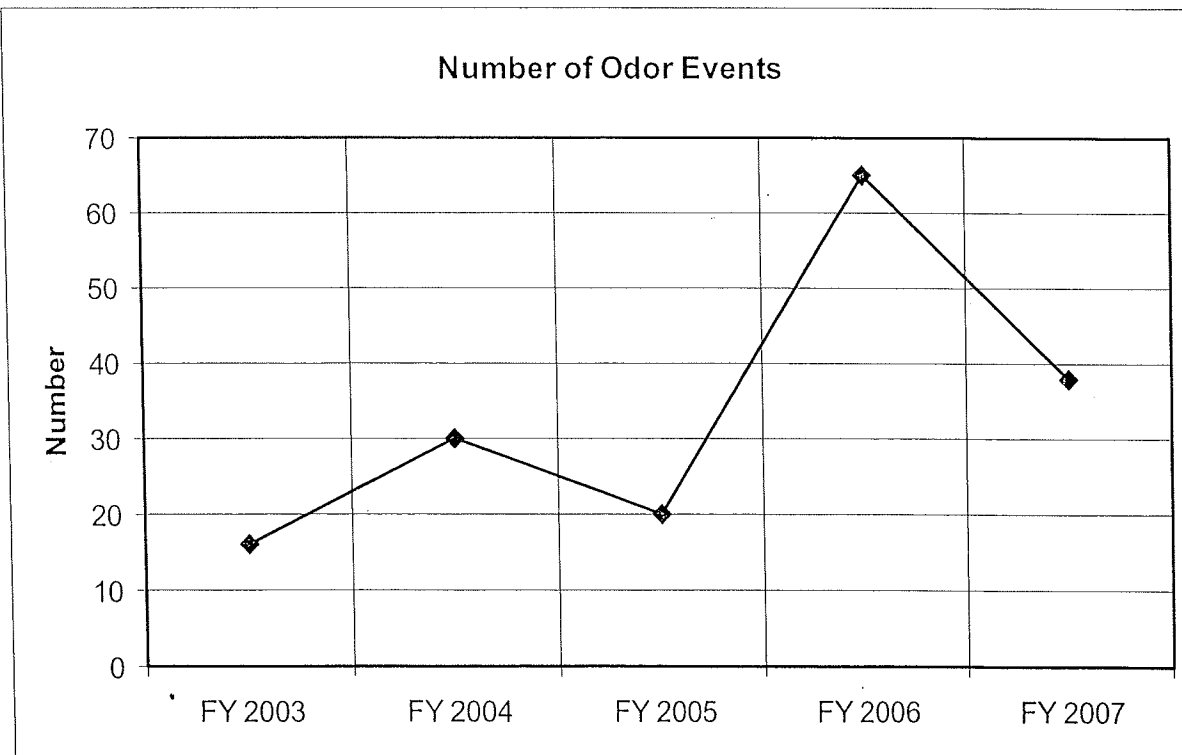
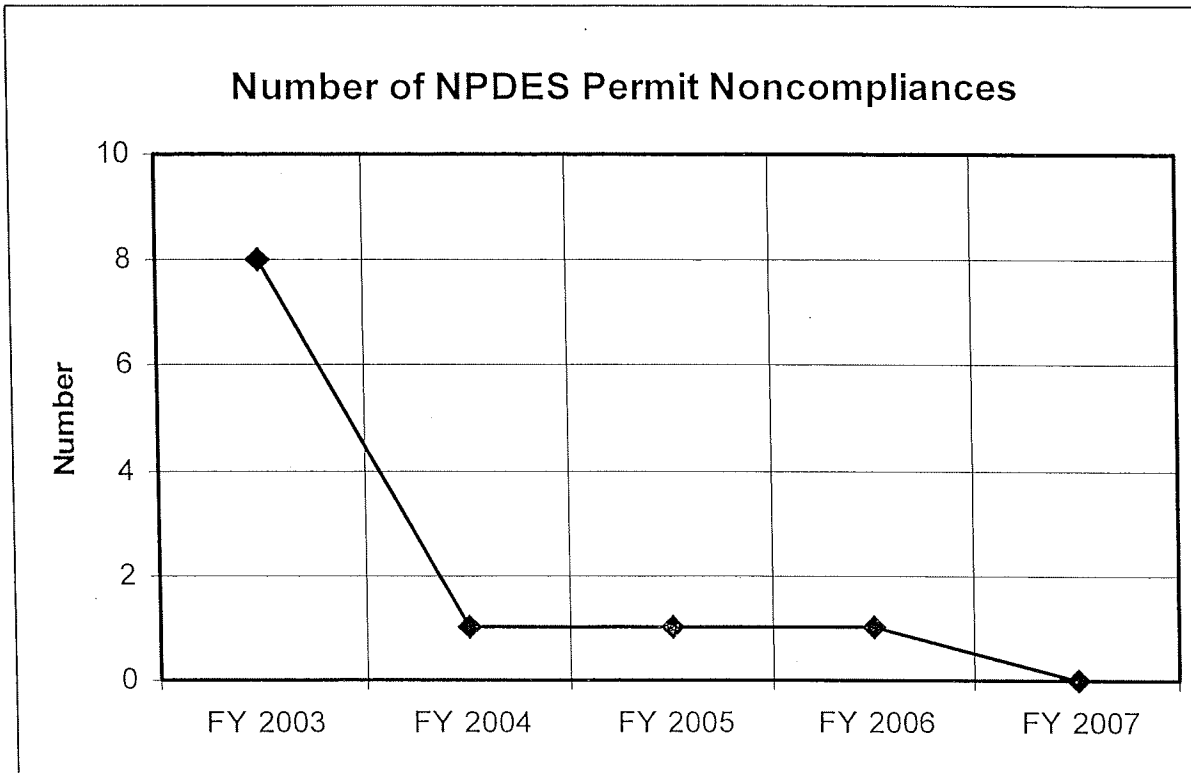
PERFORMANCE MEASURES:

| <u>Type</u> | <u>Measurement</u> |
|----------------------|---|
| Workload | Million gallons treated <i>Measurement of the number of million gallons treated at the WWTP as determined by the influent flow meters. Also expressed in million gallons per day.</i> |
| | Million gallons of biosolids produced <i>Measurement of the number of gallons of biosolids produced.</i> |
| | Percent of biosolids treated and beneficially reused <i>Percent of biosolids that were recycled (beneficial use) rather than incinerated or landfilled.</i> |
| | Million gallons of septage treated <i>Measurement of the number of million gallons of septage treated at the WWTP.</i> |
| Efficiency | Kilowatt hours used per thousand gallons treated <i>A measure of the total energy required to treat one thousand gallons of wastewater.</i> |
| Effectiveness | Number NPDES permit noncompliances <i>The numbers of NPDES permit noncompliances as reported by the WWTP on the monthly report to the North Carolina Division of Water Quality.</i> |
| | Number of wastewater overflows <i>The number of reportable wastewater overflows which occur at the WWTP.</i> |
| | Number of odor events <i>The number of odor events documented regarding the operation of the WWTP.</i> |
| | Treatment Process Effectiveness <i>The average effluent total suspended solids, carbonaceous biological oxygen demand, ammonia nitrogen, and total phosphorus compared to the NPDES permit limit.</i> |
| | Days of biosolids storage available <i>The number of days available biosolids storage, when due to weather, recycling is not possible.</i> |
| | Ratio of peak day flow vs. annual average. <i>The ratio of the peak day flow for the reporting period vs. the running annual average.</i> |
| | Reclaimed water <i>The volume of reclaimed effluent from the WWTP beneficially reused.</i> |
| | Methane gas utilization <i>A measure of methane gas beneficially reused at the WWTP.</i> |

Wastewater Treatment

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 07 Jul-Dec | FY 07 Jan-Jun |
|---|--|-------------|-----------------|----------------|----------------|----------------|----------------|----------------|---|------------------|
| W O R K L O A D | Wastewater treated | TOTAL | MG | 2,694 | 2,831 | 2,983 | 2,721 | 1,423 | | 1,423 |
| | | AVERAGE DAY | MGD | 7.4 | 7.7 | 8.2 | 7.4 | 7.7 | N/A | 7.7 |
| | | PEAK DAY | MGD | 13.1 | 12.0 | 15.5 | 11.8 | 15.7 | | 15.7 |
| | Biosolids produced | | MG | 12.99 | 13.71 | 15.66 | 13.84 | 7.41 | N/A | 7.41 |
| | Biosolids recycled | | % | 75 | 93 | 92 | 100 | 100 | N/A | 100 |
| | Septage received | | MG | 1.20 | 1.16 | 1.04 | 1.00 | 0.41 | N/A | 0.41 |
| E F F I C I E N C Y | Energy units per 1,000 gallons | | KWH/ \$/1000 | 3.54 | 3.75 | 3.73 | 4.31 | 4.05 | N/A | 4.05 |
| | | | | | | | | | | |
| E F F E C T I V E N E S S | NPDES permit noncompliances | | EA. | 8 | 1 | 1 | 1 | 0 | 0 | 0 |
| | Wastewater overflows at plant | | EA. | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| | Odor events | | EA. | 16 | 30 | 20 | 65 | 38 | 0 | 38 |
| | Treatment Process Effectiveness | | | | | | | | | |
| | Total suspended solids | | mg/l | 6 | 6 | 7 | 5 | 2 | < 30 | 2 |
| | CBOD | | mg/l | 4.2 | 2.8 | 3.3 | 2.0 | <2.0 | < 4.0 (8.0) | <2.0 |
| | NH3-N | | mg/l | 1.1 | 0.5 | 0.6 | 0.3 | 0.3 | < 2.0 (4.0) | 0.3 |
| | Total Phos | | mg/l | 0.5 | 0.5 | 0.5 | 0.6 | 0.5 | < 0.6 | 0.5 |
| | | | | | | | | | PERMITTED SUMMER LIMITS (WINTER LIMITS) | |
| | | | | | | | | | | |
| | Available biosolids storage | | DAYS | 11 | 15 | 25 | 28 | 23 | 21 | 23 |
| | Ratio of peak day flow to running annual average | | % | 3.04 | 1.55 | 1.90 | 1.59 | 2.06 | TBD | 2.06 |
| | Reclaimed water | | TBD | | | | | | | |
| | Methane gas utilization | | TBD | | | | | | | |

Wastewater Treatment



Maintenance

The maintenance function is the responsibility of the Plants Maintenance Manager and is responsible for all facility preventive, corrective, and predictive maintenance for the water supply and treatment, water pumping, wastewater pumping, wastewater treatment operations, and vehicle maintenance.

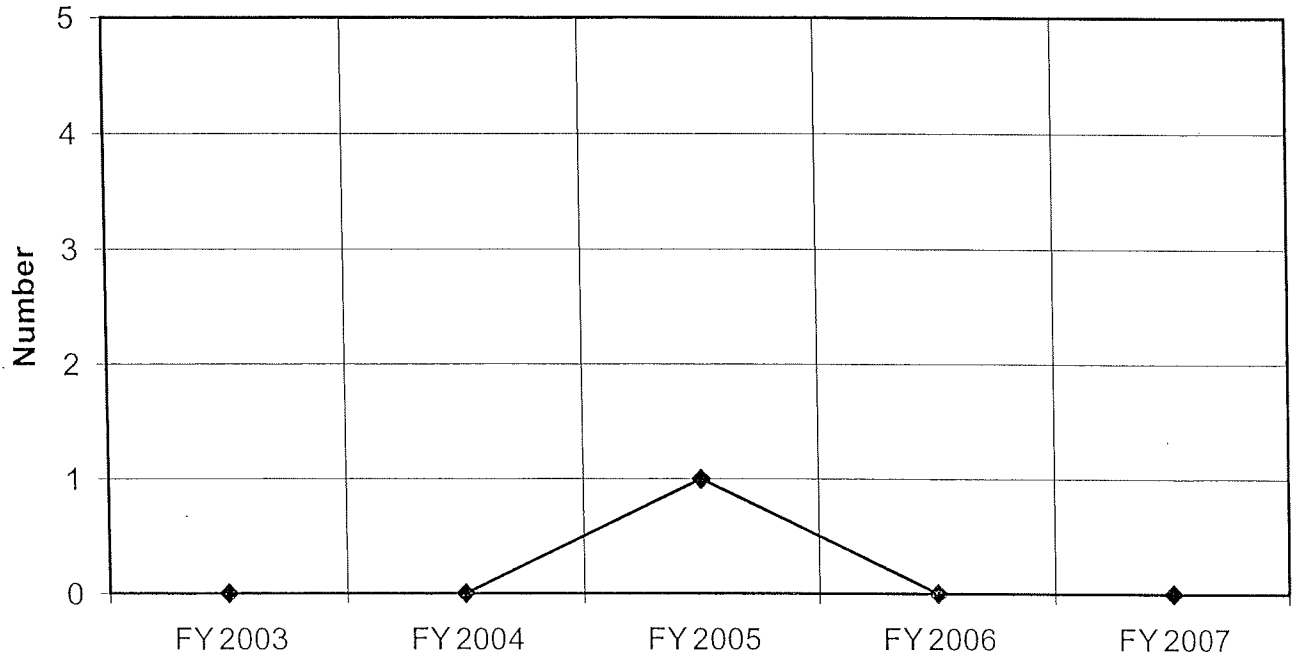
PERFORMANCE MEASURES:

- | | |
|-------------|---|
| <u>Type</u> | <u>Measurement</u> |
| Efficiency | <p>Equipment availability percentage <i>Percentage of critical equipment which is available for service. A 100% index for this standard would indicate that every piece of equipment is ready to operate at all times.</i></p> <p>Number of wastewater pumping station overflows <i>The number of reportable wastewater overflows that occur at any of OWASA's pumping stations because of equipment failure.</i></p> <p>Fleet reliability <i>Percent of vehicles available for service. A 100% index for this standard would mean that all vehicles were ready to operate at all time.</i></p> <p>Ratio of hours allocated to preventative maintenance vs. corrective maintenance <i>Indicates how well the Maintenance Department keeps up with preventative maintenance. The hours spent performing preventive maintenance divided by the hours performing corrective maintenance.</i></p> |

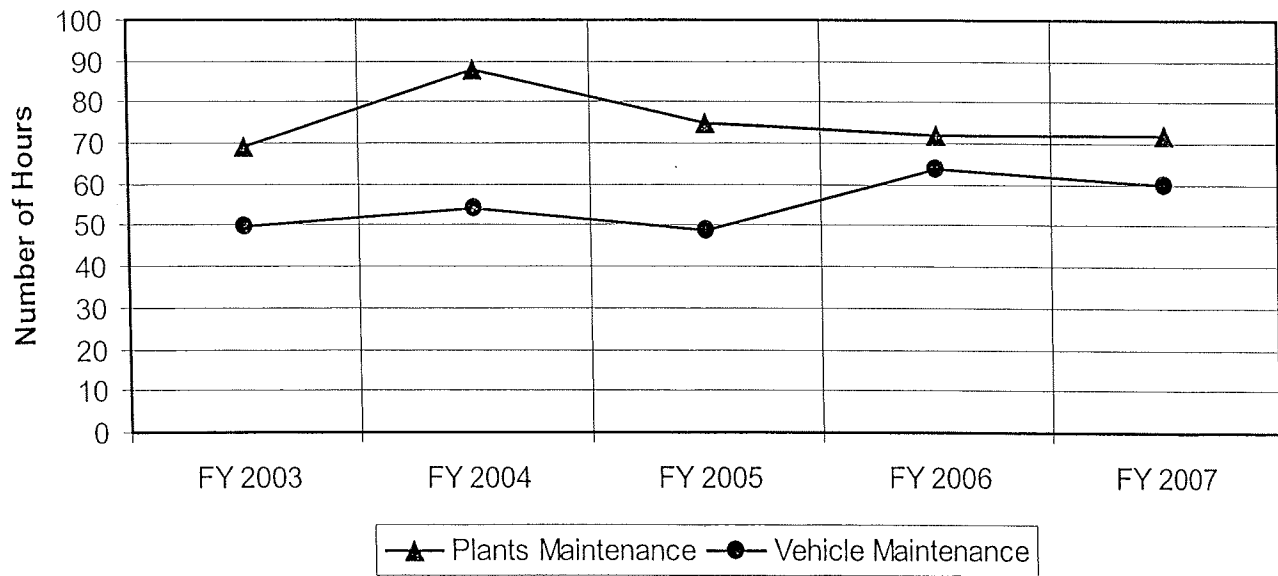
| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 07 Jul - Dec | FY 07 Jan - Jun |
|---|---|-------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|--------------------|
| E F F E C T I V E N E S S | Equipment availability percentage | % | 99.1 | 99.9 | 99.9 | 99.9 | 99.9 | >98.0 | 99.9 | |
| | Wastewater pumping station overflows, equipment-related | EA. | 0 | 0 | 1 | 0 | 0 | 0 | 0 | |
| | Fleet reliability | % | 99.4 | 99.9 | 99.9 | 99.9 | 99.9 | >95.0 | 99.9 | |
| | Percent of hours allocated to preventative maintenance vs. corrective maintenance | % | | | | | | | | |
| | Plants Maintenance | | 69 | 88 | 75 | 72 | 72 | >70 | 72 | |
| | Vehicle Maintenance | | 50 | 54 | 49 | 64 | 60 | >50 | 60 | |

Maintenance

Number of Wastewater Pump Station Overflows



Ratio of Preventative Maintenance to Corrective Maintenance



Customer Service

The Customer Service function is the responsibility of the Customer Service Manager and is responsible for billing and collection, and customer service activities.

PERFORMANCE MEASURES:

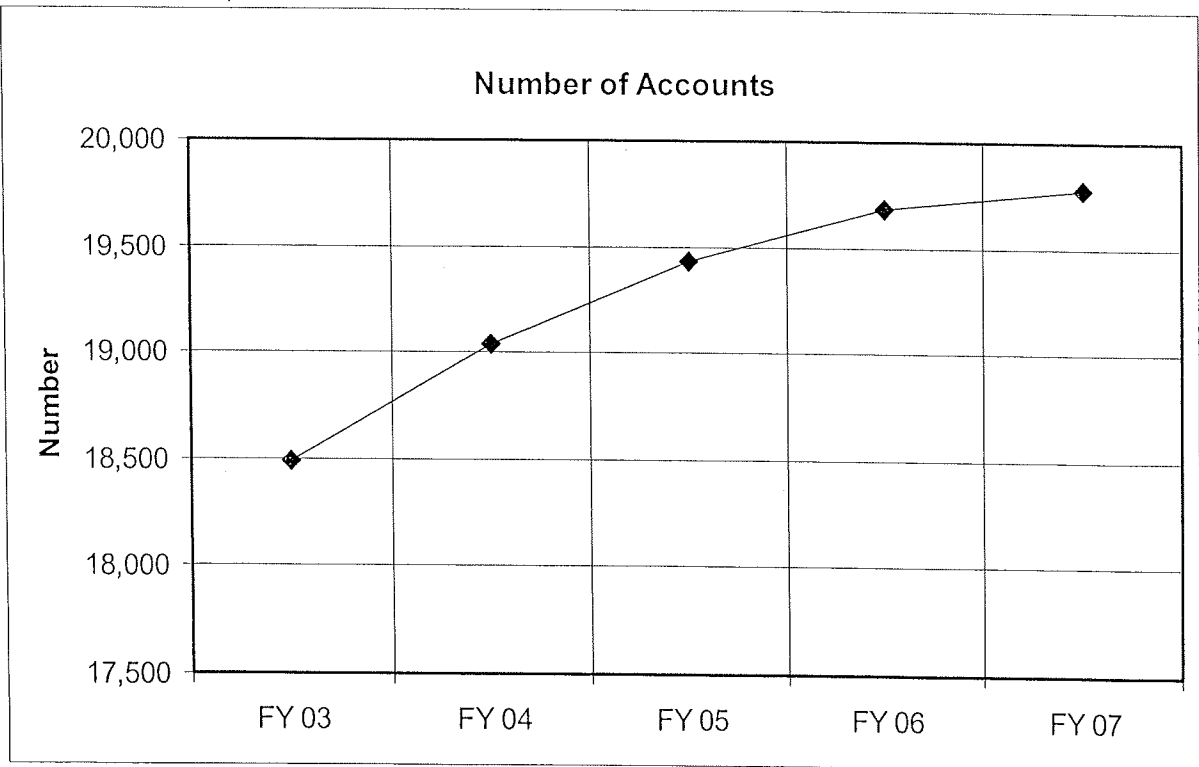
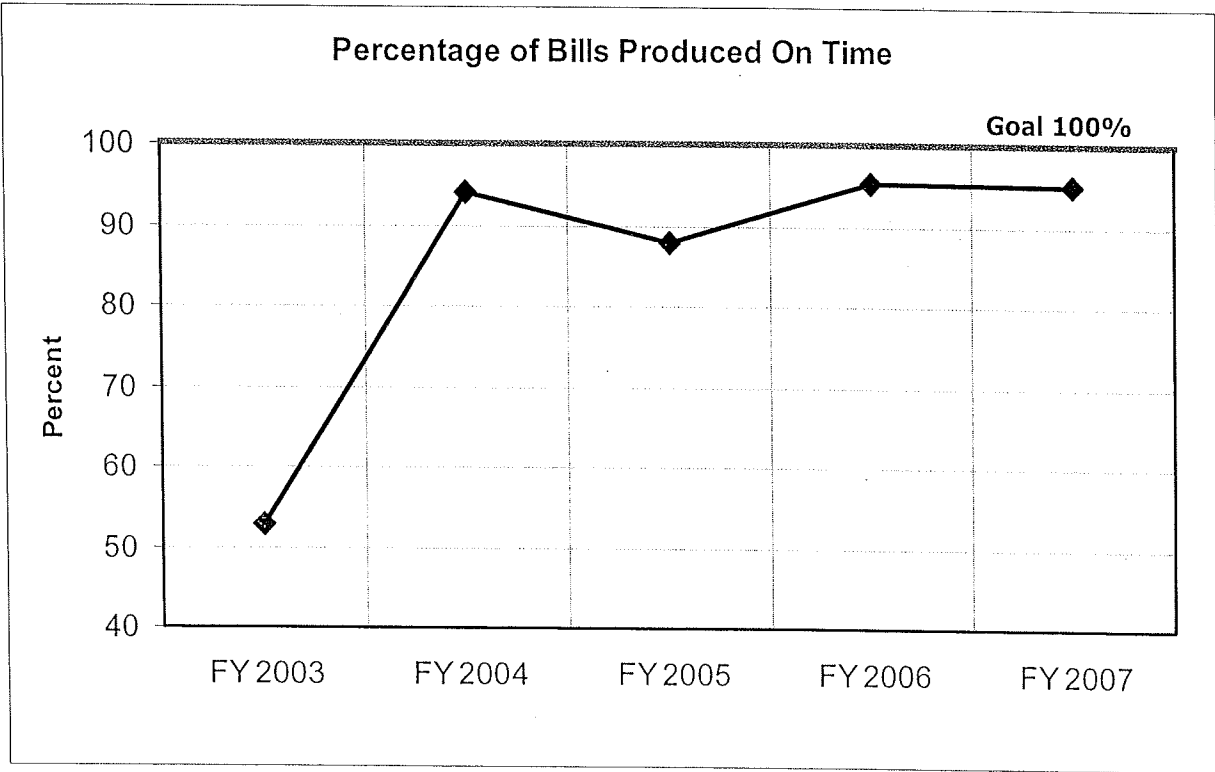
Type **Measurement**

Workload **Total accounts**
Total number of customer accounts.

Effectiveness **Billing timeliness**
Percentage of total bills which are delivered to post office on scheduled day.

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 07 Jul - Dec | FY 07 Jan - Jun |
|---|-----------------------|-------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|--------------------|
| W O R K L O A D | Total accounts | NO. | 18,488 | 19,042 | 19,433 | 19,687 | 19,799 | N/A | 19,799 | |
| E F F E C T I V E N E S S | Billing timeliness | % | 53 | 94 | 82 | 92 | 95 | 100 | 95 | |

Customer Service



Financial Management

The overall Financial Management function is the responsibility of the Finance and Customer Service Director, with support from the Accounting Manager. Together they are responsible for maintaining the fiscal affairs of OWASA including accounts payable, accounts receivable, the general ledger, asset records, cash investment, payroll, budget development, and financial reporting.

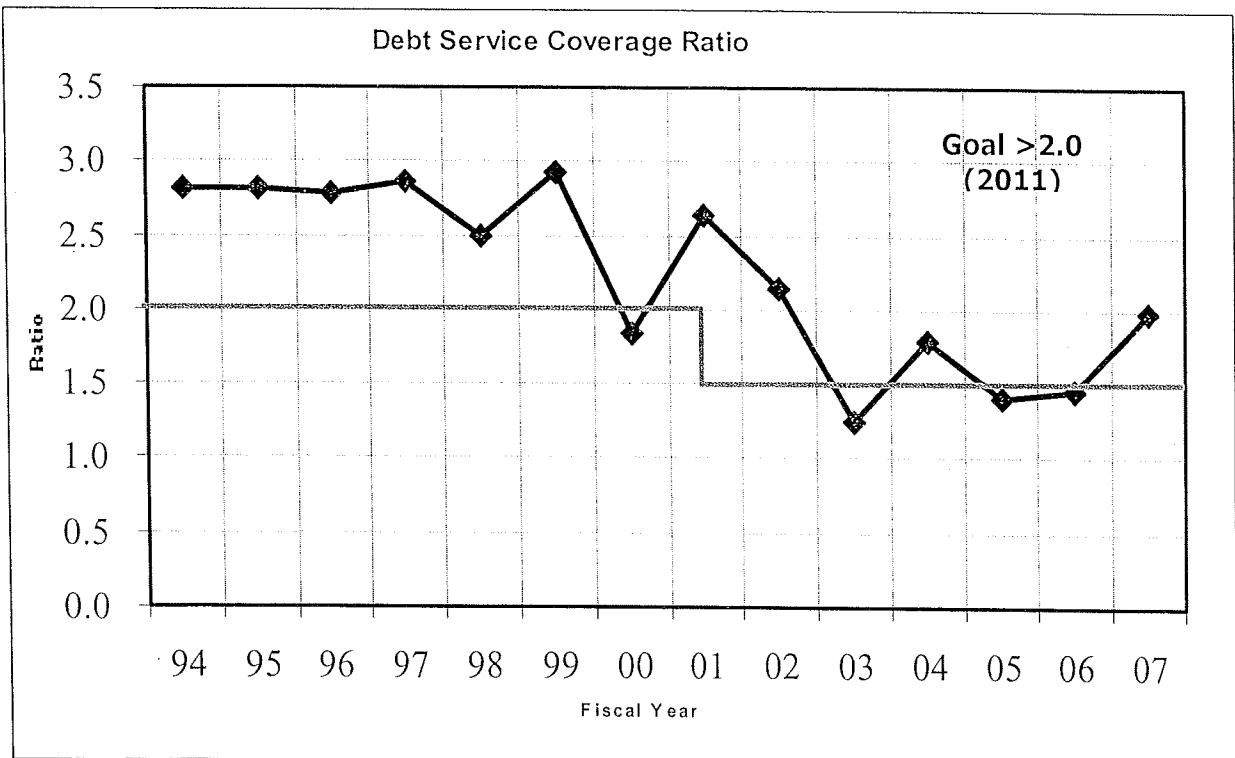
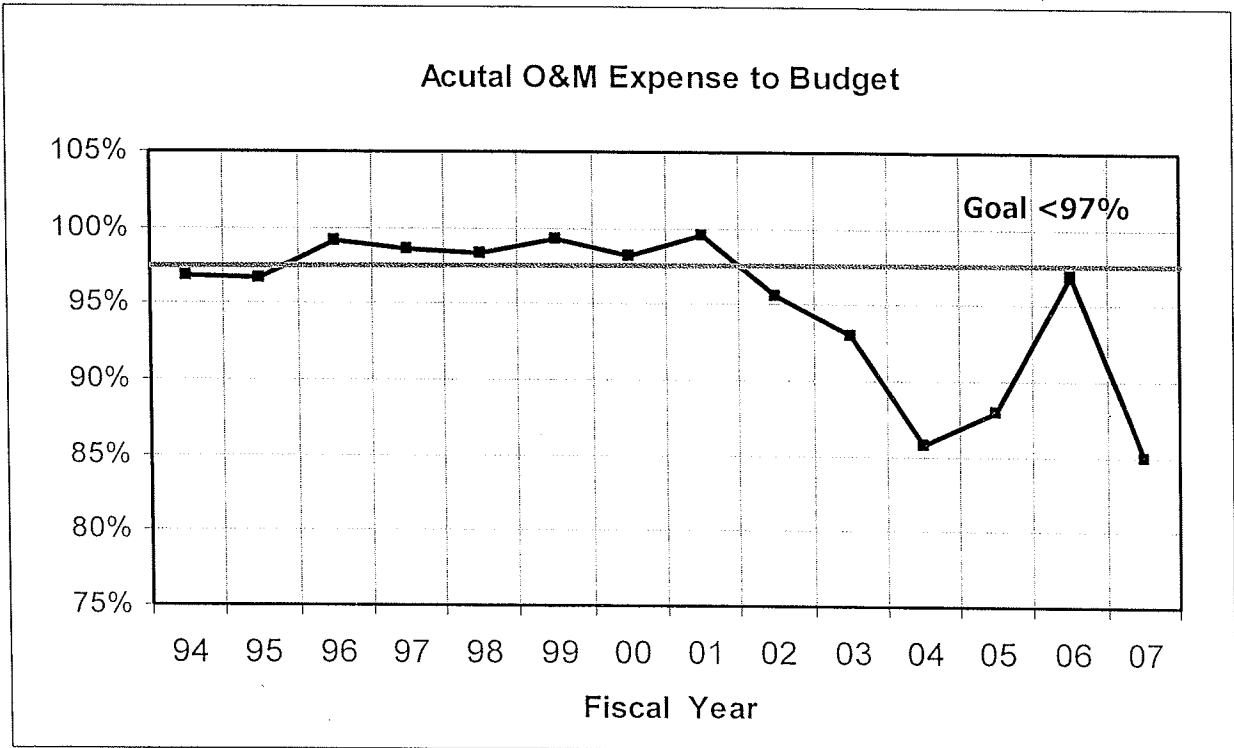
PERFORMANCE MEASURES:

| <u>Type</u> | <u>Measurement</u> |
|---------------|--|
| Effectiveness | <p>Actual Operations and Maintenance (O&M) expenses to budget <i>Percentage of actual operating expenses to budgeted expenses.</i></p> <p>Debt per customer account <i>Monetary allocation of the organization's outstanding debt over the customer base.</i></p> <p>Debt Service Coverage Ratio <i>The debt service coverage ratio measures the sufficiency of net revenues to repay debt, and to fund future operating and capital needs.</i></p> <p>Percent of invoices paid within 30 days of receipt by Finance Department</p> <p>"Revenue to Budget" <i>Measurement of the Finance Department's responsiveness in processing bills.</i></p> |

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 07 Jul - Dec | FY 07 Jan - Jun |
|---|--|---------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|-----------------|
| E F F E C T I V E N E S S | Actual O&M expenses to budget | % | 93 | 86 | 88 | 96 | 85 | < 98 | 85 | |
| | Revenue to budget | % | 87 | 93 | 97 | 97 | 99 | 100 | 99 | |
| | Debt per customer account | \$/ACCT | 3,535 | 5,292 | 5,133 | 5,192 | 5,798 | N/A | 5,798 | |
| | Debt Service Coverage Ratio (2011) | -- | | 1.79 | 1.40 | 1.46 | 1.98 | > 1.5* | 1.98 | |
| | Percent of invoices paid within 30 days of receipt by Finance Department | % | 100 | 99 | 99 | 99 | 99 | > 95 | 99 | |

* achieve >2.0 by FY 2011

Financial Management



Human Resources

The Human Resources function is the responsibility of the Human Resources Director and is responsible for developing and maintaining Human Resources policies and procedures throughout OWASA as well as providing for recruitment, affirmative action, employee benefits (including insurance), employee records management, and courier services.

PERFORMANCE MEASURES:

| | |
|-------------|--------------------|
| <u>Type</u> | <u>Measurement</u> |
|-------------|--------------------|

| | |
|---------------|----------------|
| Effectiveness | Attrition rate |
|---------------|----------------|

The percentage vacancies of the total number of authorized positions.

| |
|--------------------------|
| At fault EEOC complaints |
|--------------------------|

Number of EEOC complaints for which the organization was found to have responsibility.

| |
|----------------------------------|
| Grievances overturned at Step IV |
|----------------------------------|

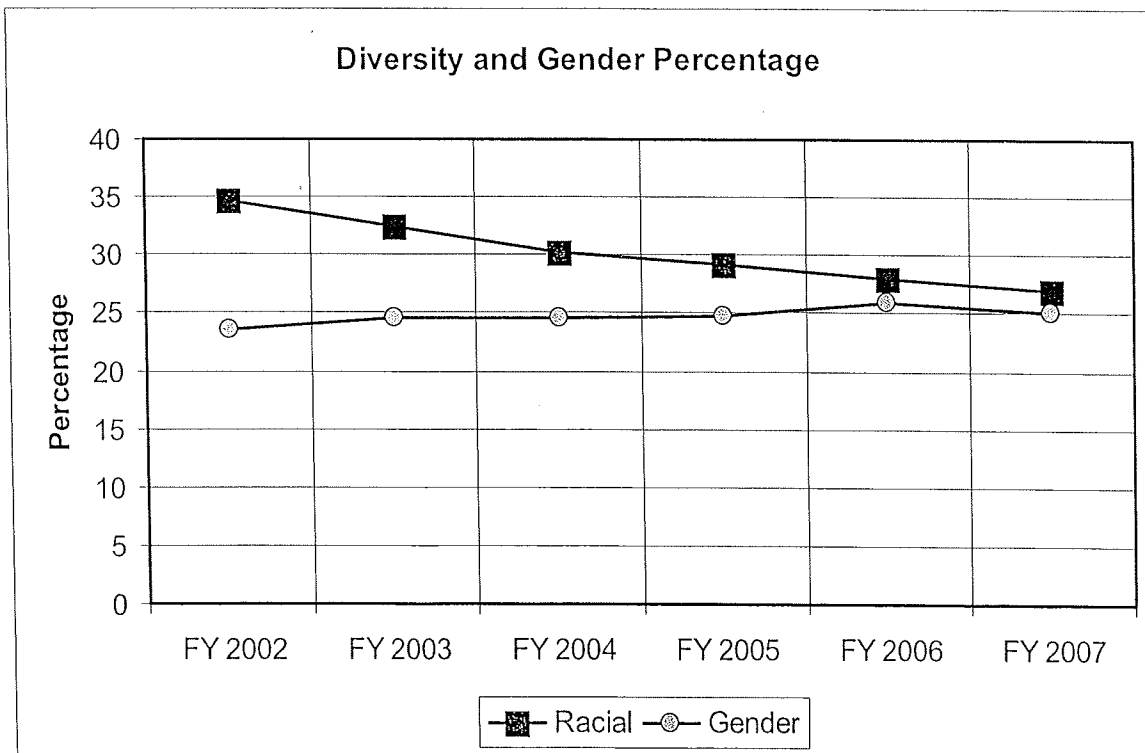
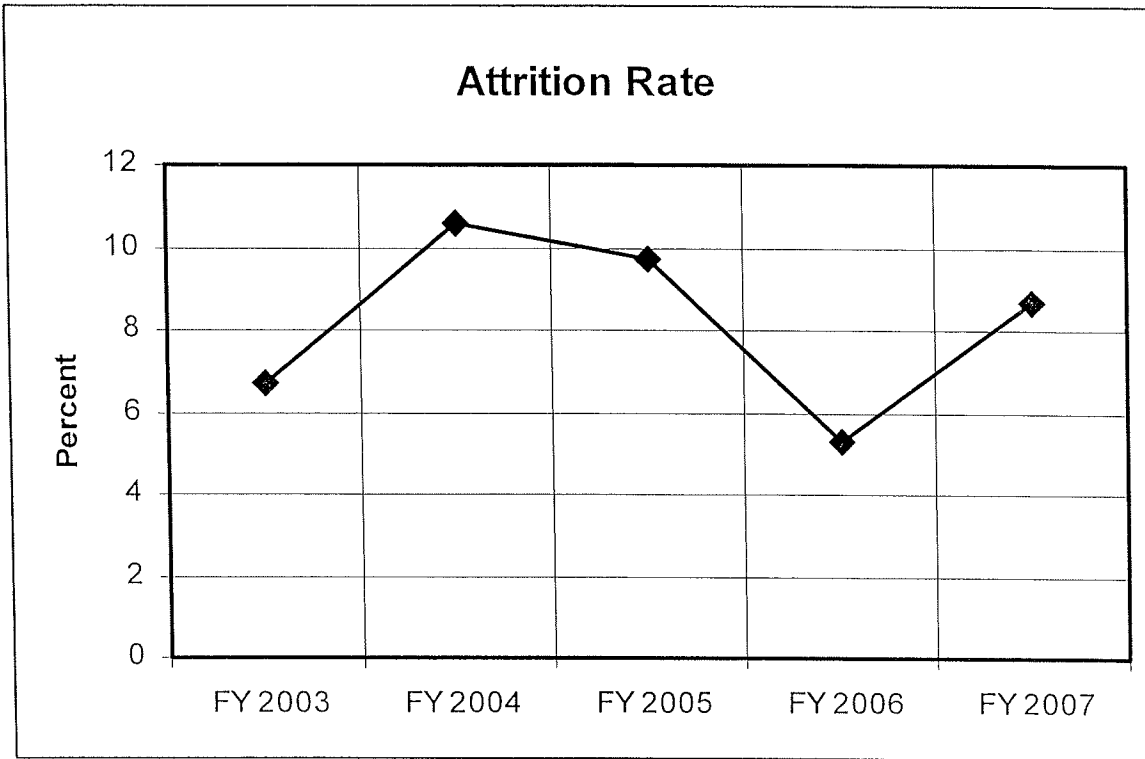
Number of grievances heard at the Step IV level by the hearing officer for which the Executive Directors decision was overturned.

| |
|-----------------------|
| Diversity percentages |
|-----------------------|

The racial and gender of OWASA employees. Diversity percentages are the name of the category. Racial percentages are the racial breakdowns at OWASA employees in terms of black, white and other. Gender refers to gender breakdowns of OWASA employees - male/female.

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 06 Jul - Dec | FY 06 Jan - Jun |
|---|----------------------------------|-------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|--------------------|
| E F F E C T I V E N E S S | Attrition rate | % | 6.7 | 10.6 | 9.7 | 5.3 | 8.7 | <8.0 | 8.7 | |
| | At fault EEOC complaints | EA. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Grievances overturned at Step IV | EA. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Diversity percentages | | | | | | | | | |
| | • Racial | % | 35 | 30 | 30 | 28 | 27 | 25-30 | 27 | |
| | • Gender | % | 25 | 25 | 25 | 26 | 26 | -- | 26 | |

Human Resources



Safety

The Safety and Training Administrator is responsible for administering and coordinating safety programs throughout OWASA.

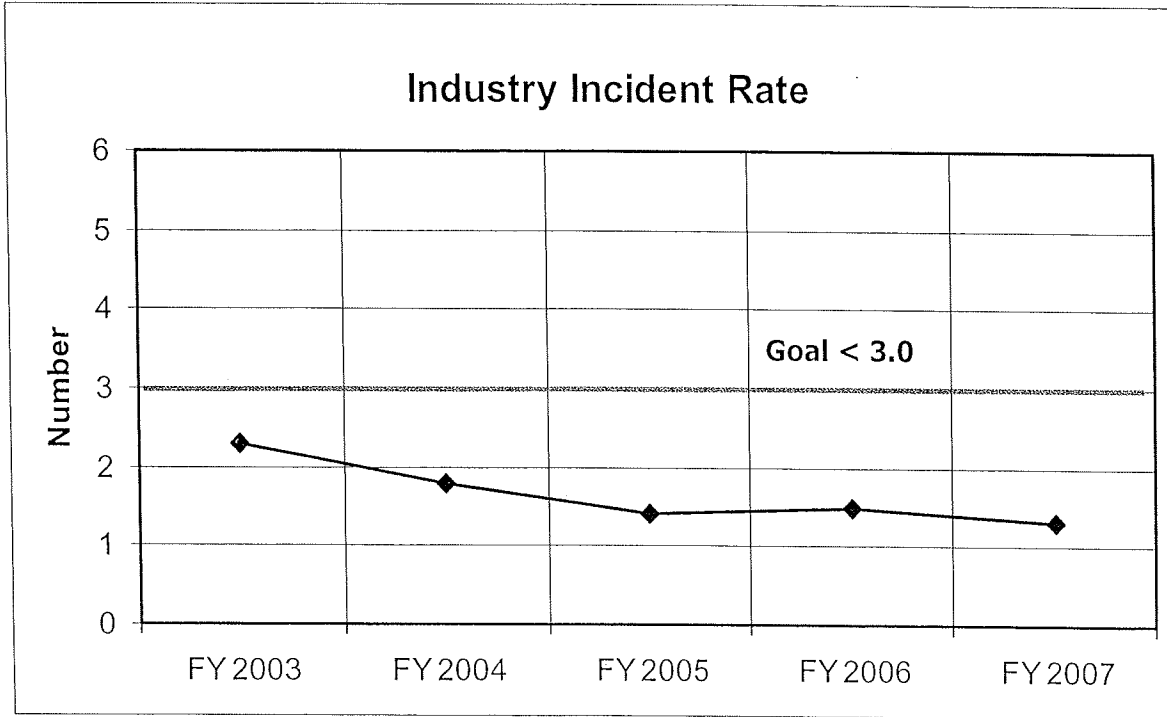
PERFORMANCE MEASURES:

Type Measurement

- Effectiveness Industry incident rate**
The number of injuries, illnesses, or lost workdays related to a common exposure base of 100 full-time workers. This rate allows an industry to make accurate interindustry comparisons. The water industry rate for a public utility is 7.5. OWASA's goal is to perform at or one-half of the Public Sector, Standard Industrial Classification Code 49 incidence rate of 7.5.
- Total number of preventable vehicle accidents**
The number of preventable vehicle accidents.
- Number of preventable Workers Comp accidents**
The number of preventable Workers Compensation accidents.

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 07 Jul - Dec | FY 07 Jan - Jun |
|---|--|-------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|--------------------|
| E F F E C T I V E N E S S | Industry incident rate | % | 2.3 | 1.8 | 1.4 | 1.5 | 1.3 | < 3.0 | 1.3 | |
| | Number of preventable vehicle accidents | NO. | 8 | 20 | 12 | 5 | 9 | 0 | 9 | |
| | Number of preventable workers comp accidents | NO. | 10 | 3 | 3 | 6 | 3 | 0 | 3 | |

Safety



Engineering

The Engineering function is the responsibility of the Engineering and Planning Director and is responsible for development and administration of the Comprehensive Master Plan, the Capital Improvement Program, third-party development of systems, design and/or management of rehabilitation and replacement projects; maintenance of infrastructure records/drawings, and engineering assistance throughout the organization.

PERFORMANCE MEASURES:

- | | |
|---------------|---|
| <u>Type</u> | <u>Measurement</u> |
| Effectiveness | <p>Actual capital project expense to budget (planned vs. actual) <i>Actual capital project expenditures as an annualized percentage of total capital budget.</i></p> <p>Average plan review time <i>The average length of time to review plan from date received to of review letter.</i></p> <p>Capital projects communication plans effectiveness ratings <i>Rating from 1 to 5 (5 being highest) by OWASA customers of our manhole rehabilitation program.</i></p> |

| | | Units | Total FY 03 | Total FY 04 | Total FY 05 | Total FY 06 | Total FY 07 | Annual Goal | FY 06 Jul - Dec | FY 06 Jan - Jun |
|---|---|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|-----------------|
| E F F E C T I V E N E S S | Actual capital project expenditure to budget planned vs. actual | % | 64 | 73 | 84 | 71 | 38 | >80 | 38 | |
| | Average plan review time | WORK DAYS | 15 | 12 | 12 | 13 | 10 | <15 | 10 | |
| | Capital projects communication plans effectiveness rating | 1 - 5 (5 Highest) | 4.1 | 4.2 | 4.3 | 4.3 | N/A | >4.0 | N/A | |

Engineering

