



## ABOUT OUR RATE INCREASE

Dear OWASA Customer:

In June, the OWASA Board of Directors approved a rate increase which will add about \$7 to a typical residential bill starting in October. We want you to know about the need for this 9.25% rate increase and how we are cutting costs.

### WHAT IS OWASA?

We are a public, non-profit agency providing water, sewer and reclaimed water services to Carrboro-Chapel Hill. We serve about 80,000 people and have over 20,000 customer accounts.

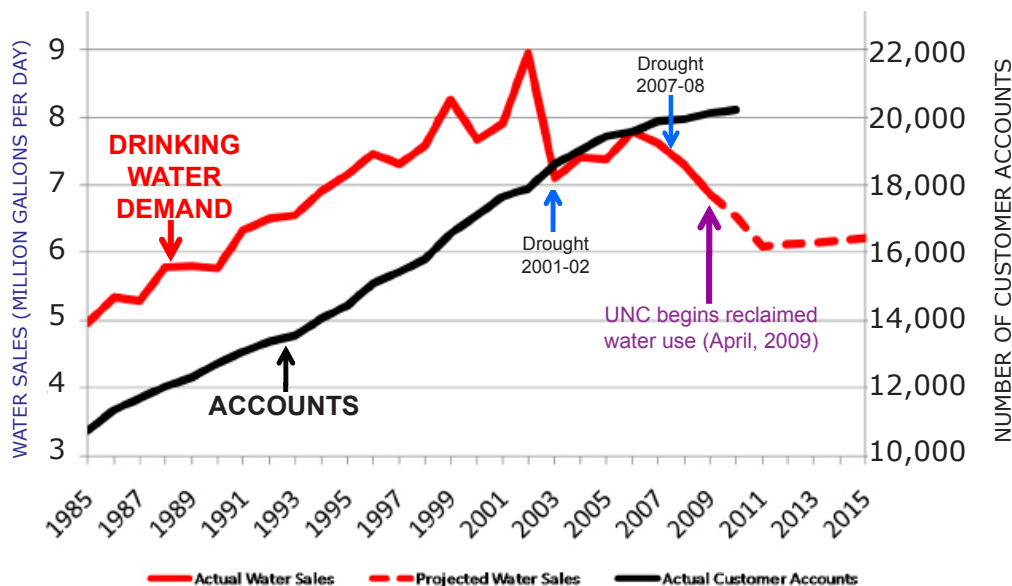
With water from the Cane Creek, University Lake and Quarry reservoirs, we operate the Jones Ferry Road Water Treatment Plant and 391 miles of pipe to provide about 2.2 billion gallons of drinking water annually.

With 321 miles of sewers and 21 pump stations, we annually collect, highly treat and recycle sewage at our Mason Farm Wastewater Treatment Plant.

We will provide about 270 million gallons of reclaimed water to the University of North Carolina (UNC) for non-drinking purposes in the next year.

Our services are funded with fees we receive for serving the community. We do not receive taxes, but occasionally receive grants for special projects.

Our services help protect public health and safety (including fire protection) and local and regional water resources, and support the local economy.



Above: The community's overall water demand has dropped substantially due to excellent conservation by OWASA customers despite the rising number of customer accounts. Water sales fell in the record drought of 2001-02 and again during and since the 2007-08 drought.

### HOW WE SET RATES

As required by law, we have "cost-of-service" rates, which are calculated to cover the cost of each of our services.

We are committed to serving you at the lowest rates consistent with our obligation to provide proper and efficient service.

### WHY IS THE INCREASE NEEDED?

The key drivers for the rate increase are: lower water sales; fewer new service connections; the need to renew and replace aging infrastructure (also referred to as capital investment); and increasing workload and operating expenses.

**Lower water sales:** Since the historic drought of 2001-02, drinking water demand has decreased 25%. Factors in this reduction are the strong conservation

ethic of our customers (thank you!); year-round conservation requirements; use of more efficient water fixtures and appliances; and our seasonal and increasing block water rates.

Water sales increased steadily for many years. This trend changed in the record drought of 2001-02. Water demand dropped further in the 2007-08 drought.

In April 2009, our new reclaimed water (RCW) system began providing UNC highly treated wastewater for use in chiller plant cooling towers instead of drinking water. RCW will also be used for irrigation and flushing toilets in some buildings. UNC and State and Federal grants paid for the RCW system and UNC pays monthly fees to cover all RCW operating costs.

The expected reduction in water sales in

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Este boletín informativo contiene información sobre los servicios de agua y alcantarillado de OWASA. Para obtener una traducción, por favor llame al 537-4221, mande un correo electrónico a [webmaster@owasa.org](mailto:webmaster@owasa.org), o visite la página de Internet [www.owasa.org](http://www.owasa.org). ¡Muchas gracias!

A public, non-profit agency providing water, sewer and reclaimed water services to the Carrboro-Chapel Hill community

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the next year is due to UNC's planned increased use of RCW. However, based on current projections and plans, we expect that drinking water demand will begin to increase modestly in 2011-12.

The bottom line for next fiscal year is that we expect to sell 6.1 million gallons of drinking water per day. This is the amount of water we sold in 1991, although the number of customer accounts has increased about 50% since then.

**Fewer new service connections:** Due to the economy, new development has slowed down considerably. We expect total revenue from new service connections in the next year will be 79% lower than the average since 2001.

**Renew and replace infrastructure:** Another key driver for the rate increase is our need to continually renew and replace aging infrastructure (pipes, treatment plants and equipment) to ensure high quality and reliable service, now and in the future. The need to renew and replace aging infrastructure is a national issue. Water and wastewater utilities across the country are facing financial and performance challenges because systems built decades ago are showing their age and are failing more frequently. These failures mean higher repair and replacement costs and often cause the loss or interruption of service to customers. The large majority of our capital improvements planned for the next five years will be to renew and replace our existing aging infrastructure, not to support growth.

When a development is connected to the OWASA system, we collect substantial fees for the system capacity needed to serve the development.

During the past decade, we have made much needed investments in our infrastructure to ensure a reliable and sustainable system for our customers.

Our major capital investments since 2000 include \$5 million to protect watersheds, of which \$2.6 million was reimbursed by

the State; \$21 million to upgrade and expand the Jones Ferry Road Water Treatment Plant; \$16 million to replace 25.3 miles of water mains to maintain reliable service; \$21 million to renew or replace 16.5 miles of sewer pipes to reduce the potential for sewage overflows; \$7 million to renew, replace or eliminate sewage pumping stations (to reduce operating costs and potential overflows); \$76 million to upgrade and expand the Mason Farm Wastewater Treatment Plant; and \$14 million to build the RCW system (funded entirely by UNC plus Federal and State grants).

**Workload and expenses:** Water sales have dropped significantly since 2001, but our workload has increased overall. Since 2001, we have added 2,500 accounts; 68 miles of new water and sewer pipe; and about 1,000 pieces of treatment plant equipment.

Lower flows at our treatment plants reduce the amount of chemicals and energy needed, but most of the costs to operate and maintain our plants and pipe systems do not fluctuate with the amount of water we sell. Maintenance, repairs and the number of personnel needed to deliver high quality drinking water and properly treat and recycle wastewater are largely the same no matter how much water our customers use.

Prices have increased for chemicals and energy. Health care costs for employees have also risen.

## **ACTIONS TO REDUCE EXPENSES**

We take seriously our responsibility to reduce costs and improve efficiency. Since 2004, we have reduced staffing by nearly 15%. We have also done studies to identify opportunities to get the most out of our treatment plants and other facilities and cut costs without compromising our essential services.

We have cut our yearly capital spending from a range of \$15 to \$35 million from 1998 to 2005, down to \$9.8 million for the coming 2011 fiscal year. We believe this

level will be adequate for the next year or so, but increases will be needed in future years to ensure long-term sustainability of the community's water, sewer and reclaimed water systems.

## **HOW TO HELP PEOPLE IN NEED**

OWASA cannot legally help people in need pay their bills. However, we have a donation program, "**TASTE OF HOPE**," in which a participating customer's monthly bill is rounded up to the next dollar. The rounded-up amount goes to the Inter-Faith Council to help low income customers with their water bills. If you would like to sign up as a donor, please call us at 537-4343, send an e-mail to [webmaster@owasa.org](mailto:webmaster@owasa.org) or visit our Taste of Hope webpage (<http://www.owasa.org/right/TasteOfHope.aspx>).

## **LOOKING AHEAD...**

We have a sustainable long-term water supply plan due to the conservation achievements of our customers including UNC. Our reservoirs can meet the community's expected needs for the next 50 years under most circumstances. OWASA and other utilities are evaluating the feasibility of shared access to Jordan Lake so that we can use OWASA's allocation there if necessary in a drought or other water emergency.

Because of conservation and improvements at our treatment plants in the past decade, our plants should not have to be expanded for at least 20 years.

However, water and wastewater treatment standards will continue to increase, the costs of chemicals and energy will remain volatile, and the cost to repair and replace our aging infrastructure will rise. We believe that additional rate increases will be needed, but we will work hard to keep the increases as low as possible.

## **WE WELCOME YOUR FEEDBACK!**

Please contact us whenever you have a comment or question at 919-968-4421 or [webmaster@owasa.org](mailto:webmaster@owasa.org).