Round Hill General Improvement District
Board of Trustees Meeting
March 2, 2010

Tuesday **6:00pm**

1. Meeting Called to Order. (Side A/c#1)
Meeting was called to order by Chairman Glen Smith.

2. Pledge of Allegiance. (Side A/c#4)
Pledge of Allegiance was led by Chairman Smith.

3. Roll Call. (Side A/c#7)
Chairman Glen Smith, Vice Chairman Steve Teshara, Trustees Steve Seibel and Wes Rice were present. Trustee Chuck Fagen was absent. The District Manager, Administrative Assistant and District Counsel were present. Residents Janet Murphy, Brad Dorton and Bob & Linda Loding were present. Brent Farr of Farr West Engineering was present.

4. Public Comment. (Side A/c#8)
None

5. Approval of Agenda. (Side A/c#12)
Motion to approve the agenda as presented. Rice/Teshara 4-0 approved.

6. Discussion of the District's current rate structure and consideration of future possible rate adjustments. (Side A/c#54)
Manager Reed reported that Farr West Engineering was hired by the District to conduct a rate structure analysis. Brent Farr was in attendance to present his progress of the analysis and information the Trustees had previously requested. Attached to these minutes is a copy of the presentation of the analysis.

Brent presented an option to replace EDU formulas with equivalent meter ratios. His recommendation was to eliminate the 20,000 allowance of water with the current base rate. He presented a potential adjustment to the rate tiers for residential rates.

Trustee Rice is not in favor of eliminating the base water allowance. He might consider decreasing the allowance but is not in favor of eliminating it.

Manager Reed again, reported that there were inconsistencies regarding the procedure for billing Pinewild and Castlerock properties. Brent suggested applying new rates and billing tiers for these two properties. Pinewild is currently charged a base rate multiplied by the number of units on the property, whereas Castlerock customers are billed the minimum charge individually.

The current rate structure has a separate irrigation rate for commercial properties. The rate is substantially lower than the current commercial water rate. Brent recommended eliminating this rate completely. There is no need for two separate rates for irrigation. There are no sewer charges connected to the commercial irrigation as the water does not run through the sewer system.

Brent recommended changing the residential rate structure over a three year period and monitoring the revenues. Chairman Smith would rather see the changes made over a five year period. After monitoring revenue impacts, then make changes to the commercial rate structure to achieve the maximum equity between residential and commercial customers.

Vice Chairman Teshara requested that Brent come back to the Board with perhaps three scenarios of rate changes for comparison, allowing the Board to better make a decision for rate and or water allowance changes. He would like to have a logic and feasibility for any rate changes that are made for customer's satisfaction.

7. Adjournment. (Side C/c#70)
Motion to adjourn made by Vice Chairman Teshara.

Attest:

Glen Smith
Chairman

Steve Teshara
Vice Chairman

Round Hill General Improvement District

Water Rate Workshop
March 2, 2010

Water Rates
Summary of Decisions to Be Considered

- Commercial and Residential Customer Equity
- Replace current EDU formula with equivalent meter ratios
- Amount of water allowed with base rate (fixed versus variable costs)
- Adjust tiers to reflect usage, water conservation
- Apply tiers to Pinewild, Castle Rock and Apartments
- Modify Commercial Irrigation Rate
- Implementation schedule
- Decide on changes to water system capacity charges

Commercial and Residential Customer Equity

Separate rates for commercial users are common among utilities around Lake Tahoe. However, Round Hill data does not indicate higher cost of service for commercial customers compared to residential customers.

Commercial and Residential Customer Equity

Separate Commercial Rates?

TMWA	Base rates are the same. More generous tiers are available for commercial accounts.
Tahoe City PUD	Separate Rates
North Tahoe PUD	Separate Rates
South Tahoe PUD	Separate Rates
Kingsbury GID	Same rate currently. Making changes to rate structure.

Rate Comparison

¾" residential / ¾" commercial

Cost for Various Usage Amounts (Gallons)							
Average Monthly Use	0	5,000	10,000	15,000	20,000	30,000	50,000
¾" Residential	$ 45.00	$ 45.00	$ 45.00	$ 45.00	$ 45.00	$ 65.00	$ 105.00
¾" Commercial	$ 45.00	$ 45.00	$ 73.95	$ 135.00	$ 199.25	$ 327.75	$ 584.75
% Difference	0	0	64%	200%	343%	404%	457%

Notice large discrepancy between residential and commercial. Rates should be based on cost of service. Consider the example of a bookstore and a typical single family home.

Commercial and Residential Customer Equity

Recommendation: Leave existing commercial rates in place. Adjust residential rates first, then review disparity between the two customer classes and make further adjustments at that point.

Replace EDU Formula with Equivalent Meter Ratios

Meter Size	EDU Formula	Equivalent Meter Ratios
¾"	$45.00	$45.00
1"	$80.28	$75.15
1.5"	$180.60	$149.85
2"	$321.10	$239.85
3"	$722.60	$480.15
4"	$1,285.00	$750.15
6"	$2,890.00	$1,499.85

Residential Rates: Water included with base rate?

Current rates include 20,000 gallons of water in the base rate. Changing the rate so that no water is included with the base rate completely separates fixed and variable revenues that can be more easily matched with fixed and variable expenses.

Recommendation: With the first change in rates, eliminate the allowance of water with the base rate. All water used will be billed according to the tiered rate schedule.

Residential Rates: Adjustments to Tiers

Commodity Rates (Implement Changes Annually):
Current Rates 20-50 = $2.00, Over 50 = $2.50
First Change: 0-20 = $2.00, 21-50 = $3.00, Over 50 = $4.00
Second Change: 0-15 = $2.00, 16-40 = $3.00, Over 40 = $4.00
Third Change: 0-10 = $2.00, 11-30 = $3.00, Over 30 = $4.00
Fourth Change: 0-5 = $2.00, 6-20 = $3.00, Over 20 = $4.00

¾" Customer Class Commodity Revenues	Total Commodity Revenue	Increase in Revenue	Cumulative Increase in Revenue
Current	$ 30,598.00		
First Change	$ 69,227.00	$ 38,629.00	$ 38,629.00
Second Change	$ 74,760.00	$ 5,533.00	$ 44,162.00
Third Change	$ 81,038.00	$ 6,278.00	$ 50,440.00
Fourth Change	$ 88,739.00	$ 7,701.00	$ 58,141.00

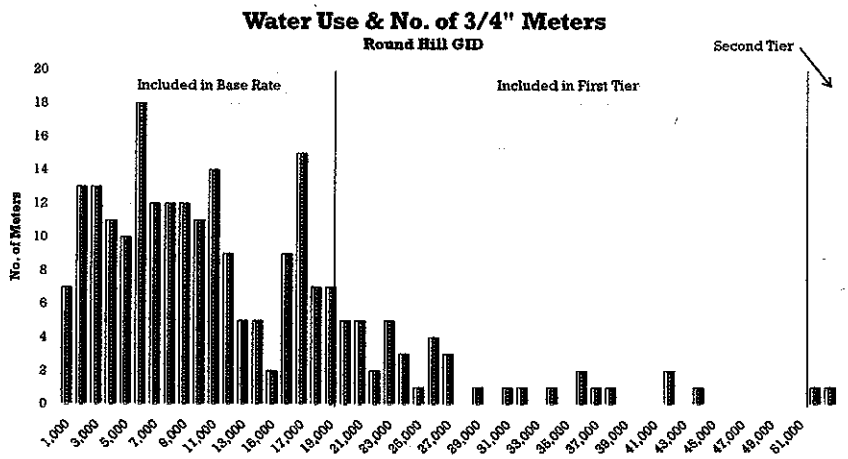
Final Tiers

Tier 1: 0 to 5,000 gallons (indoor use)
$2.00 per thousand

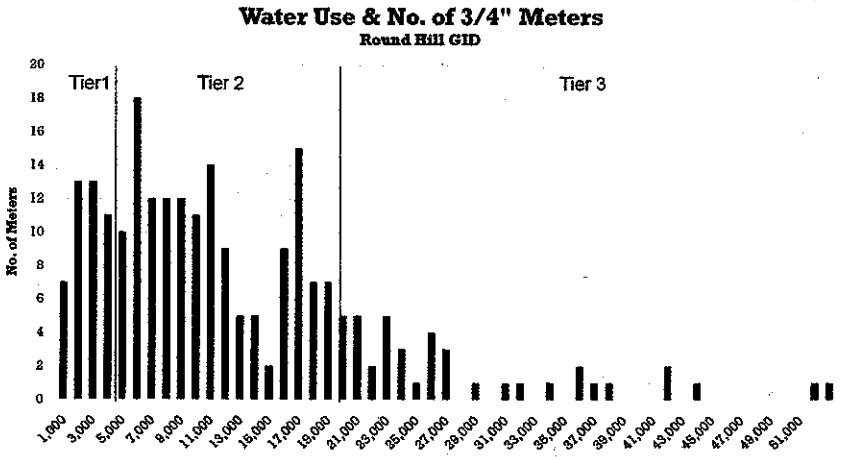
Tier 2: 5,000 to 20,000 gallons
(average summer use)
$3.00 per thousand

Tier 3: Over 20,000 gallons
(beyond average summer use)
$4.00 per thousand

Old Tiers



New Tiers



Impacts to the Customer After *Final* Changes are Made

Cost for Various Usage Amounts (Gallons) – ¾" Residential Meter							
Average Monthly Use	0	5,000	10,000	15,000	20,000	30,000	50,000
Monthly Bill, Old Rates	$ 45.00	$ 45.00	$ 45.00	$ 45.00	$ 45.00	$ 65.00	$ 105.00
Monthly Bill, New Rates	$ 45.00	$ 55.00	$ 70.00	$ 85.00	$ 100.00	$ 140.00	$ 220.00
Percent Increase	0.0%	22.2%	55.6%	88.9%	122.2%	115.4%	109.5%

Same Impacts apply to Pinewild, Castle Rock, Etc. Pinewild's average rate will likely rise by 60%

Revenues may increase by as much as $100,000 per year, but may be less depending on how much water is conserved as a result of the new rates.

Revenue increase of $100,000 is roughly a 20% increase in revenues.

Apply New Rates to Pinewild, Castle Rock, Etc.

Apply Tiers to Pinewild, Castle Rock.

For example: Pinewild final tiers would be as follows:

135 units x 5,000 gallons = 675,000 gallons in first tier, etc.

Increase or Eliminate Commercial Irrigation Rate

Commercial Irrigation Rate is $4.72 per thousand gallons.

Commercial Rate is $9.65 per thousand gallons for first tier and $12.85 for second tier.

Consider eliminating the irrigation rate?

Recommendation: Wait until residential rates are adjusted and then modify commercial rates. Commercial rate structure should undergo similar changes to residential structure.

Rate Comparison

¾" residential / ¾" commercial Before and After Changes

Cost for Various Usage Amounts (Gallons) – Before Changes							
Average Monthly Use	0	5,000	10,000	15,000	20,000	30,000	50,000
¾" Residential	$ 45.00	$ 45.00	$ 45.00	$ 45.00	$ 45.00	$ 65.00	$ 105.00
¾" Commercial	$ 45.00	$ 45.00	$ 73.95	$ 135.00	$ 199.25	$ 327.75	$ 584.75
% Difference	0	0	64%	200%	343%	404%	457%

Cost for Various Usage Amounts (Gallons) – After Changes							
Average Monthly Use	0	5,000	10,000	15,000	20,000	30,000	50,000
¾" Residential	$ 45.00	$ 55.00	$ 70.00	$ 85.00	$ 100.00	$ 140.00	$ 220.00
¾" Commercial	$ 45.00	$ 45.00	$ 73.95	$ 135.00	$ 199.25	$ 327.75	$ 584.75
% Difference	0	(18% Lower)	5.6%	59%	99%	134%	166%

Implementation Schedule

- Make changes to residential rate structure over 3 year time period and monitor revenues.
- After monitoring revenue impacts, then make changes to commercial rate structure to achieve maximum equity between residential and commercial customers.
- After rate structures have been adjusted and revenues stabilized, increase rates as revenue requirements increase in such a way that fixed and variable revenues stay balanced. Maintain equity among all customer classes.

Capacity Charges – Equity (Buy-In) Method

The goal of the equity method is to achieve an equity position between new and existing customers of the system. The method assumes that existing customers have provided equity in the existing system and that built-up equity should accrue to benefit existing customers.

Capacity Charges – Equity (Buy-In) Method

Determined by dividing the net system value by number of equivalent dwelling units the system is capable of serving.

Water = $5,400,000 / 700 EDU's = $7,714
Existing capacity fees seem adequate.

Existing and Proposed Water Capacity Charges

Water Service Size	Existing Water Capacity Charge	Proposed Water Capacity Charge
0.75"	$7,000	$7,000
1"	$12,460	$11,690
1.5"	$28,140	$23,310
2"	$49,980	$37,310
3"	$112,350	$74,690
4"	$199,780	$116,690
6"	$484,610	$233,310

Proposed capacity charges for larger meters were calculated using equivalent meter ratios rather than using the District's current method of determining EDU's.

Recommendation: Modify water capacity charges as proposed.