

RESOLUTION NO. B-1413

A RESOLUTION OF THE COMMISSIONERS OF LAKEWOOD WATER DISTRICT ADOPTING AN OVERALL 24 PERCENT WATER RATE INCREASE AND REVISED RATE STRUCTURE AS OUTLINED IN THE 2014 BUDGET, EFFECTIVE JANUARY 1, 2014.

WHEREAS, the Commissioners of the District, in accordance with RCW 57.08.081, have the authority and responsibility to establish rates and charges for the District; and

WHEREAS, the Commissioners of the District have caused to be completed an analysis of the District's fiscal needs for the future; and

WHEREAS, the five-year capital budget was considered;

WHEREAS, the rate model analysis showed that revenues are inadequate to properly provide for increased operation and maintenance costs, system replacements, additions and betterment, and to allow for sufficient reserves consistent with prudent utility practices, unless a recommended overall 24 percent rate increase as outlined in the 2014 Budget is made effective January 1, 2014, with the first billings reflecting the increase to be on or after March 1, 2014. This overall increase includes the revenue for the fixed fee based on meter size to fund the District's 50-year transmission and distribution R&R (Replacement and Rehabilitation) program as well as a rate increase of 16 percent for the volume charge and the base charge to fund general operation, maintenance, and other capital projects; and

WHEREAS, there is a need to revise the District's rate structure to capture funds for the 50-year R&R Program funds in a fixed fee based on meter size, removing all R&R funds from the base charge, with the volume charge remaining on the same tiered schedule as in previous years; see Exhibit A for additional information regarding the revised rate structure.

NOW, THEREFORE BE IT HEREBY RESOLVED AS FOLLOWS:

SECTION 1. The Board of Commissioners of Lakewood Water District hereby adopts and approves by resolution a rate increase as outlined in the 2014 Budget and above for all active accounts; it further hereby adopts and approves the following revised rate structure:

Effective January 1, 2014, rates shall include an increase by an estimated, overall 24 percent for most residential ratepayers; the actual rate increase percentage will vary according to customer meter size. The first billings reflecting the increase will be received on or after March 1, 2014.

Lakewood Water District Rates for Active Accounts

Water Consumption	Current Rates	New Base Charge	New Consumption Rates
0-800 cubic feet	\$21.63 (min. charge)	\$6.07	\$0
801-2000 cubic feet	\$ 1.11/ccf		\$1.29/ccf
2001 and over	\$ 1.51/ccf		\$1.75/ccf

New R&R Fixed Fee Per Meter Size	
Meter Size	Fixed Fee
5/8"	\$ 22.00
1"	\$ 24.20
1.5"	\$ 30.80
2"	\$ 39.60
3"	\$ 63.80
4"	\$242.00
6"	\$308.00
8"	\$638.00
10"	\$836.00
12"	\$990.00

SECTION 2. According to standard District practice, the District will use all means necessary and appropriate to inform all ratepayers of this resolution and water rate increase. Be it known, a letter will be sent to all rate payers the first week of January 2014. Additionally, notice of the recommended increase in the 2013 Budget process was published in *The News Tribune* December 12, 2013, as well as on the District's website at www.lakewood-water-dist.org.

SIGNED the 19th day of December 2013.

LAKWOOD WATER DISTRICT

President

Commissioner

Attest:

Commissioner

District Secretary

Exhibit A
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The District undertook a proposed change in its rate structure to fund the 50-year R&R (Replacement and Rehabilitation) Program. The District's rate model includes assumptions to minimize any future large increases to District customers. The basic assumptions used in costing the R&R program are: there are 185 miles of pipe that cost approximately \$1M a mile to replace over a period of 50 years. These assumptions arrive at \$3.7M of pipe to be replaced each year.

The cost will be funded approximately 50 percent from debt and 50 percent from rates. The model assumes an annual 3 percent inflation escalator of the R&R construction costs. At a minimum, these escalated costs will be included in the District's annual R&R fixed fee. The rate model will be reviewed annually to assure the projected rates can be maintained.

The rate funding will need to be certain, so a fixed charge based on meter size was established to fund the R&R program. This R&R fixed charge is equitably allocated based on meter service equivalent (MSE), per American Water Works Association (AWWA) standards. The R&R fixed fee will fund approximately 50 percent of the program, plus associated debt payment and taxes.

The current base charge includes a portion to fund R&R. The proposed R&R fixed charge will now include all R&R program funding coming from rates; therefore, the base charge was reduced and will continue to help fund remaining capital items and existing debt payments.