

2010 BPU Water Rate Proposal



Background:

- An outside Cost of Service and Rate Study have recommended an increase in the utility's water base rates.
- A public hearing process has been initiated to determine what, if any, water rate increases should be implemented.
- Public forums will be held to discuss rate adjustments, billing processes, and capital improvement projects required to meet the future water needs of our community.

What's Being Proposed:

- Studies recommend an 8.0% increase in the water base rate for the remainder of 2010 and 2011, and a 7.5% increase in 2012 and 2013.
- Increases will vary among customers groups based on cost of service and usage levels.

Why This Is Necessary:

- BPU's 100-year old water system needs \$60 million in capital improvements to replace outdated control systems and aging water mains, and to implement critical meter improvements.
- Postponing may cause service disruptions and cost even more.
- Water retail sales have decreased in recent years, while BPU's operating and maintenance expenses are expected to increase.
- The utility has worked with 20-45 days of operating cash on hand over the last two years (with 60 recommended).
- BPU will not be able to adequately finance capital projects and meet reserve and debt service requirements without additional revenue.
- Without a strong credit rating, BPU won't be able to borrow money for capital improvements at a reasonable rate.

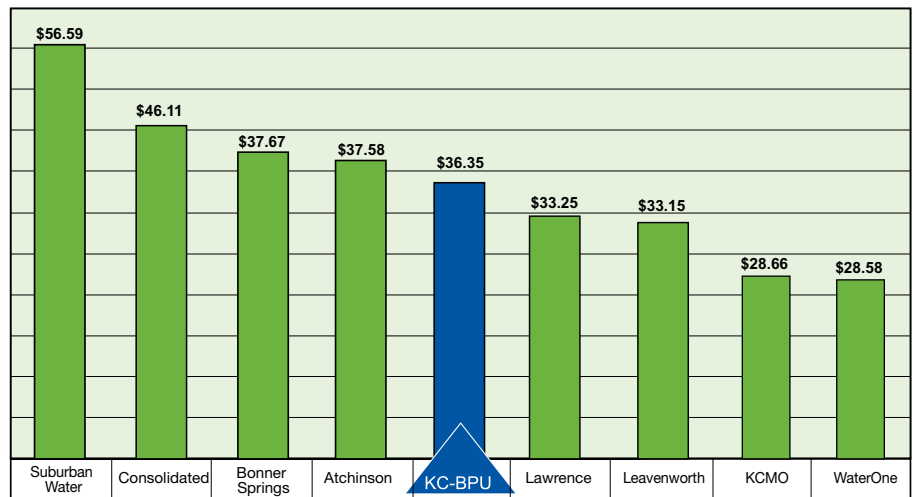
Impact on Customers:

- The average residential customer's bill will increase only \$3.42 a month in 2010, and approximately \$3.25 a month the remaining years. This equals approximately a dime a day.

BPU Average Rate Comparison

- BPU's water rates are competitive with other surrounding utilities.

Average Monthly Water Bill

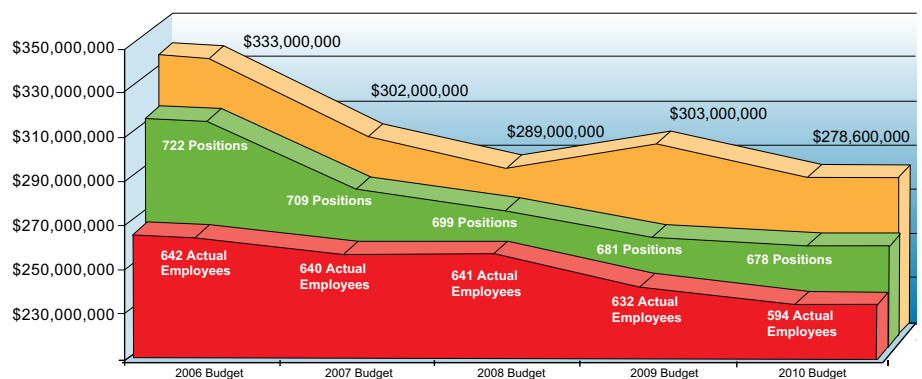


*Based on 8 CCF's (5,992 Gallons)

BPU: Fiscal Responsibility

- BPU reduced its budget by \$55 million, and eliminated approved staff positions and the number of actual employees for the last five years in a row.
- This belt-tightening has resulted in new efficiencies and streamlining efforts.
- Eliminated cost-of-living adjustments for all non-bargaining BPU employees in 2010.

BPU Budget/Staff Position Reductions



Critical Capital Improvements Projects: 2010-2014 = \$60 million

- *Water main replacement* = \$11.5 million. BPU averages 600 main leaks a year, with 80 percent coming from lines more than 50 years old.
- *Automated meter reading* = \$12.1 million. This will reduce need to visit each meter, saving money and reducing carbon footprint from vehicle use. Also allows BPU to record daily usage fluctuations and report leaks to homeowners.
- *New 4 million gallon reservoir* = \$4.8 million. Brings BPU up to industry standard for 10% reserve capacity for catastrophic start-ups, provides for "greener" operations by allowing BPU to shift peak pumping away from high demand times.
- *Water meter replacement* = \$4.6 million.
- *Water service replacement* = \$3.3 million.