

Warm Beach Water System Consolidation
Frequently Asked Questions
September 2018

Why is ownership of the Warm Beach water system transferring to Snohomish PUD?

Warm Beach Water Association (WBWA) developed their own plan of improvements for their water system in 2015, and then approached Snohomish PUD to ask what the PUD could do in comparison. The PUD conducted a study to identify improvements to make the Warm Beach water system comparable to other water systems owned and operated by the PUD. A majority of the improvements proposed by the PUD were already in WBWA's plan, but the PUD proposed to construct them at a faster pace.

At the request of WBWA, the PUD applied for and secured federal and state funding assistance, including \$3.1 million in grants and another \$3.1 million in loans at 1% annual interest, with additional funding to be loaned at the 4.5% annual interest rate of bonds available to the PUD. In comparison, WBWA's most likely funding scenario consisted entirely of commercial loans with about 6% annual interest.

The PUD's proposal to WBWA members included a \$35/month capital improvement surcharge for 20 years to repay the loans, in addition to the PUD's regular water rates. WBWA already had a \$15/month surcharge built into their water rates to repay loans for earlier improvements. If the consolidation did not happen, WBWA estimated they would need to increase their surcharge to \$78.40/month to complete the same improvements proposed by the PUD. A main criteria for the grant funding is that the Warm Beach water system will need to interconnect with the PUD's adjacent Kayak water system for backup water supply.

Throughout the decision-making process, the WBWA membership showed strong support for the proposal to consolidate with the PUD, including:

- September 2015 Annual WBWA Membership Meeting: Members directed their board to contact the PUD to explore consolidation.
- September 2016 Annual WBWA Membership Meeting: The PUD presented the study; the WBWA board presented how it would cost more to do the improvements on their own; and members voted to have the PUD apply for funding and come back with a proposal.
- March 2017 Special Membership Meeting: The PUD presented a proposed funding package and answered questions. A show of hands indicated all members in attendance supported the proposal.
- April 2017 Mail-In Advisory Vote: WBWA conducted an advisory vote by mail in which 99% of respondents were in favor of consolidating with the PUD.
- July 2017 PUD Commission Meeting: WBWA representatives attended a Commission meeting to show support for a resolution authorizing negotiations for the water system ownership transfer. However, later that month, the state put the funding on hold for a year.
- July 2018 PUD Public Hearing: WBWA representatives appeared at a PUD public hearing to show support for more resolutions to move ahead with the water system ownership transfer.

What will the PUD do for the money paid by the Warm Beach customers?

The PUD's proposed projects are intended to make the Warm Beach water system equal to the PUD's other water systems, to increase reliability, and to enable PUD crews to operate the system. Improvements include:

- **Emergency Intertie** – Connect the Warm Beach and Kayak water systems so that water from the PUD's Kayak system can back up Warm Beach when tanks or wells are offline.
- **Water Source Improvements** – Replace the Well 4 pump with a larger pump and modify treatment to balance water quality between wells.
- **Distribution System Improvements** – Replace enough existing pipe so that no more than 10% of the pipe in the system will be asbestos-cement material. Add new pipe and increase diameters of replaced pipes to improve transmission and fire flow. Also, replace some hydrants.
- **Replace Control System** – Change the control system to work with the PUD's controls.
- **Replace Water Meters** – Replace all meters due to age, and convert them from reading in gallons to cubic feet.
- **Abandon Some Facilities** – Demolish the old booster pump station and two unused storage tanks.
- **Pay Off Higher Interest Debt** – Use part of the PUD's grant and loan to pay off WBWA's existing higher interest rate loan.

Where can I find more detail about the improvements, cost estimate, and surcharge calculation?

The full 2016 feasibility study report and a 2018 *Summary of Improvements and Cost Estimates* is posted at www.snopud.com/?p=3178.

How long will it take to complete the improvements?

The projects must be completed within four years of signing the loan and grant contracts. Because contracts are being signed now, the projects must be done before the fall of 2022. After the projects to be reimbursed by the capital improvement surcharge are done, the PUD will prioritize future improvements for the Warm Beach system within the plan for all of its water systems. Longer-term improvements are built into the PUD's regular water rates.

How much will my water bill increase?

Because WBWA's rates were higher than the PUD's regular water rates before applying the PUD's \$35/month surcharge, the net increase in water bills for Warm Beach customers will actually be about \$22-24 per month. The following table can be used to estimate monthly costs for various amounts of water usage. Keep in mind, when looking at a WBWA water bill (issued every two months), the usage should be divided in half to compare to monthly usage in this table.

Comparison of Monthly Cost for Warm Beach Single Family Water Customers
(see rate structures in next table below)

Gallons Used in a month	Cubic Feet Used in a month	What WBWA water cost was *	What PUD water cost will be **	Net Increase per month	What WBWA cost would be ***
No meter	0	\$35.08	\$35.00	- \$0.08	\$98.47
50	7	\$35.08	\$58.22	\$23.14	\$98.47
4000	535	\$55.15	\$76.80	\$21.65	\$118.55
5,500 (typical customer)	735	\$60.52	\$83.86	\$23.34	\$123.92
7,000	936	\$66.70	\$90.92	\$24.22	\$130.10
8,500	1136	\$73.71	\$97.98	\$24.27	\$137.11
13,500	1804	\$99.86	\$121.51	\$21.65	\$163.26
Each additional 1,000 gallons	Each additional 134 CF	Add \$6.60	Add \$4.72		Add \$6.60

* "**WBWA water cost was**" is based on WBWA's water rate structure in 2018.

** "**PUD water cost will be**" is based on the PUD's 2018 water rate structure after the water system ownership transfer.

*** "**WBWA cost would be**" is based on how WBWA would have increased their rate surcharge to \$78.40 per month if the water system were not consolidated with the PUD.

Comparing WBWA and PUD Water Rate Structures*

WBWA (billed every 2 months) divide by 2 for monthly cost	PUD (billed monthly)
Base Rate • \$80.30 includes the first 8,000 gallons • \$40.15 if 100 gallons or less	Customer Charge (Base Rate) \$22.98/month for Single Family \$23.09/month for Multifamily \$50.17/month for Commercial
Overage Charge ** • \$3.58/1000 gal for 8,001-11,000 gal • \$4.12/1000 gal for 11,001-14,000 gal • \$4.67/1000 gal for 14,001-17,000 gal • \$5.23/1000 gal for 17,001-27,000 gal • \$6.60/gal above 27,001 gal	Commodity Rate ** \$0.0352/cubic foot (CF) for Single Family \$0.0334/CF for Multifamily \$0.0324/CF for Commercial
Surcharge • \$30 (\$15/month) currently • Would increase to \$78.40 per month to accomplish equivalent improvements	Capital Improvement Charge \$35.00 added to PUD's regular water bill over 20 years to repay for the improvements (same for all customer classes)

* Based on 2018 rates. See later question on how rates can change in the future.

** To convert between gallons (gal) and cubic feet (CF): 1 CF=7.48 gal, or 1000 gal=133.68 CF
Most WBWA meters read in 10 gallon increments. For such meters, a multiplier of 10 gal = 1.3368 CF will appear water bills until the meters are replaced to read in CF.

The PUD's water rates are shown in Tables B-6, B-7 and B-8 of [Appendix B](#) in its [Water Policies & Procedures Manual](#), which is posted on the [Water](#) section of snopud.com.

How will my billing change when the PUD becomes my water provider?

The frequency of water bills will change to monthly, compared to WBWA's two-month billing cycle. Also, the PUD will bill for water usage in units of cubic feet (CF), whereas WBWA bills in gallons.

Water billing will be combined with PUD electric bills. Exceptions from the combined electric/water bills are (1) those customers who inform the PUD that they want their water bill to go to a different person than the electric bill and (2) properties where a single meter serves a duplex or multiple houses on the same parcel.

My first bill from the PUD seems higher than I expected. Why is that?

The PUD has several meter-reading routes within the Warm Beach water system service area, which are scheduled for different times of the month. Water meter readings that would be scheduled less than 30 days after the ownership transfer will be read in the following cycle. This will allow time for WBWA to provide their final meter readings and for the PUD to enter those readings as the starting values in its billing system. Therefore, some initial PUD water bills will be for more than 30 days (but less than 60 days), of water use. After the first cycle, the PUD billing periods will normalize to monthly.

What is the multiplier notation that will be on the new PUD bills?

Since most Warm Beach area water meters will be read in ten-gallon increments, those measurements must be converted to cubic feet (CF) for calculation of the PUD water bills. There are 1.3368 CF in 10 gallons. If you see this multiplier on your water bill, it means your meter is being read in 10's of gallons.

Because many of the water meters in the Warm Beach area are old, replacing them is part of the proposed improvements. As PUD replaces the meters, all of meters in the Warm Beach area eventually will read in CF units.

What options do I have for paying my water bills? Will I be able to make payments at the WBWA office?

WBWA will do their final meter reading on the day that ownership transfers to the PUD and will mail out and collect payments for their final water bill. WBWA will maintain office hours at 17202 84th Ave NW for a month or so after the water system ownership transfer to receive final payments.

Payment on the PUD bills will not be accepted at the WBWA office. Payment options available for electric service are also available for the PUD water service, including paying by mail, online, by phone, at PUD offices or at PUD payment stations. Information about [payment and billing options](#) can be found on the [Your Account](#) section of snopud.com. Paperless billing is also available as an option to mailed bills.

What help is available to low income customers?

The PUD has an assistance program available for low income customers. People already in this program for electric bills will automatically receive discounts on their water bills. The discounts

apply to the PUD's regular water rates but do not apply to the surcharge portion of the bill. More information can be found at www.snopud.com/discounts.

I'm on the Budget Payment Plan for electric bills, can I also be on that for my water bills?

Customers who are on the Budget Payment Plan (BPP) for their electric bills will automatically be on BPP for their water bills. The BPP averages out payments over 12 months, and is adjusted annually based on usage in the previous year. To start a BPP, call 425-783-1000 or toll free at 1-877-783-1000.

My WBWA water bill and my PUD electric bill used to arrive at different times of the month. Can I keep my electric and water bill separate and keep the payments due at different times?

Because the water and electric meters will be read at the same time by the PUD meter readers, they must be billed at the same time, and therefore will be due at the same time. The PUD's billing system is not capable of automatically splitting bills into two payments per month. However, anyone who needs to pay their bills in two smaller payments can call the PUD after receiving a bill to make such arrangements for that bill. As mentioned above, the Budget Payment Plan can help average out payments over a year, but those payments are also due once per month. To request to split a particular bill into multiple payments, call 425-783-1000 or toll free at 1-877-783-1000 after receiving the bill that you want to split.

Can I have the water and electric bill go to two different people?

Yes - The PUD's default is to set up the water bill for a property to go to whoever was paying the electric bill for that property. However, as announced in a couple of WBWA's newsletters, those requesting to have the water bill sent to a different person than the electric bill can contact the PUD to make that happen. If you receive a combined electric and water bill but would like one of them to be billed to someone else, please have the person who will be responsible for paying the water bill call the PUD at 425-783-1000.

The PUD also offers Owner Agent Agreements for landlords. Under such agreements, when a tenant stops service, billing automatically reverts to the landlord until a new account is set up for the next occupant. To request a PUD Owner Agent Agreement, please call 425-783-8020.

How much could water rates increase in the future?

The PUD's \$35/month surcharge will remain fixed over 20 years to repay loans for the initial water system improvement costs.

The PUD's regular water rates cover costs to operate all of its water systems and to pay for future repair and replacement of facilities. The PUD performs rate studies periodically to confirm actual costs and to determine rates needed to cover these costs. Over the past several years, the PUD's regular water rates for single family customers increased about 4% per year from 2012 to 2016, remained unchanged in 2017, and increased by about 2% in 2018. For multi-family and commercial customers, the PUD's water rate increases tracked with the single family customers in 2012-2017, but increased by about 4% in 2018.

For comparison, WBWA's plan developed in 2015 was to increase their rates by 10% annually for 3 years. In 2016, WBWA enacted their first 10% increase and added their \$15 per month

surcharge. In 2017, WBWA did not increase its rates because consolidation with the PUD was pending. WBWA communicated to members that further increases would be necessary if the consolidation did not go through, with a most likely scenario of raising their surcharge to about \$78 per month.

For new water connections, the PUD practices a “growth pays for growth” approach. A portion of the hook-up fees collected for new water connections is considered reimbursement for a share of pipe in the ground, and a portion is used toward improvements that address the impacts of those customers on the water system capacity (for example, new storage tanks or increasing water supply). The PUD’s hook-up fees for new water connections are greater than the amount that existing customers will pay through the surcharge, and are expected to increase over time.

None of these projects are in front of my house. What’s in it for me? Why do I have to pay?

All existing WBWA customers will benefit from the improved water system reliability. When a water main break occurs, it can take a whole neighborhood out of water. In addition to the surcharge for near-term improvements, the PUD’s regular water rates provide for continually replacing pipes as they reach the end of their useful life. So, merging with the PUD helps ensure that the water system remains viable into the future.

What will happen with the money in WBWA’s accounts?

WBWA will transfer the money it has saved up in its accounts to the PUD. In return, the PUD is committing to use all the transferred funds plus the money collected from the surcharge for the WBWA water system. If the money collected is more than the cost of the listed improvements, then the PUD will use the remaining funds to do more improvements in WBWA’s water service area.

What if it costs more to build the projects than estimated?

The PUD is committing to stick with the \$35/month 20-year surcharge. The PUD will handle the risk of cost overruns by prioritizing the projects to accomplish the highest priorities first. If the budget runs out before all the projects are done, remaining projects could be completed over a longer schedule within the PUD’s regular water rates. The same risks would have applied if WBWA continued as an independent water utility, but WBWA would not have the advantage of a larger rate base if its projects went over budget.

Could I pay the surcharge up front to avoid paying interest, or pay it off early?

Yes – The upfront amount to pay off the surcharge within the first month after the ownership transfer is \$6,837 per customer. This is determined by dividing the principal amount of the combined loans for the improvements by the number of customers. In comparison, customers that pay the \$35 monthly surcharge for the full 20 years will pay a total of \$8,400. The combined interest on the loans works out to an effective annual interest rate of 2.1%. The PUD has prepared an amortization table that will be used to determine the remaining balance owed at any time that a customer requests to pay off the balance during the 20 years that the surcharge is in effect.

I paid for a WBWA membership (water share), but I don't use any water. How much will I pay after the PUD owns the water system? And will my membership be protected?

The WBWA rate for members with no water usage was \$70.15 every two months (\$35.08 per month). WBWA's minimum bill applied to all members, even if not fully connected to the system.

After the PUD becomes the owner of the water system:

- Members that do not have water service installed but have historically paid a bill to WBWA to maintain a water share will only pay the PUD's \$35 monthly surcharge.
- For customers with water meters installed that use no water in a month, the minimum bill will be the \$22.98 customer charge plus the \$35.00 surcharge (totaling \$57.98 per month).

For WBWA members that have not installed their water service, as long as they continue paying the monthly surcharge, the PUD will honor that they paid for a WBWA water share in the past, and the cost to hook up will only be the cost of installing the service. If there is not already a pipe fronting a property to be served, such customers will also be responsible for extending the water main or contributing toward the future extension of the main. If such customers stop paying the surcharge but later decided they want to hook up, then the PUD will charge its full hook-up fees in addition to the water service installation cost.

Can I sell my WBWA water share?

WBWA had a provision that members who no longer wanted to use their water share could sell it back to the association for the amount they originally paid for it. After WBWA closes out their books and disbands, customers will no longer be able to sell back shares that were issued by WBWA.

What will new customers pay to hook up to the system?

After merging with the PUD, customers that connect to the system (or members that gave up their water share and want to come back) would pay the PUD's standard hook-up charges, which are \$9,310 in 2018. This is \$2,473 more than the \$6,837 upfront amount of the PUD surcharge for existing WBWA customers. The difference between new hook-ups and existing customers will widen as hook-up charges increase while the surcharge remains fixed until paid off. The PUD does not plan to bill the surcharge to customers that pay its full hook-up fees.

What if I have more questions?

Please call the PUD's Water Utility at 425-397-3000 if you have any questions that you don't see answered here or if you need more explanation.