

Water Rate Tiers Issues

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Issues (1)

- Residential / Commercial / Irrigation
 - Could be based entirely on tap size
- Culinary vs Yard Watering
 - Impact on peak demand
 - Conservation issue
- Small vs Large households/families
 - Tiers impact them differently
 - Usage: per person or per customer?

Issues (2)

- Conservation--is this an objective?
 - Revenue risk – bias tiers towards culinary
 - Peaking – delivery system cost @ 350% (PER)
 - Yard watering, landscaping “rights”
 - New meters – time of day billing?

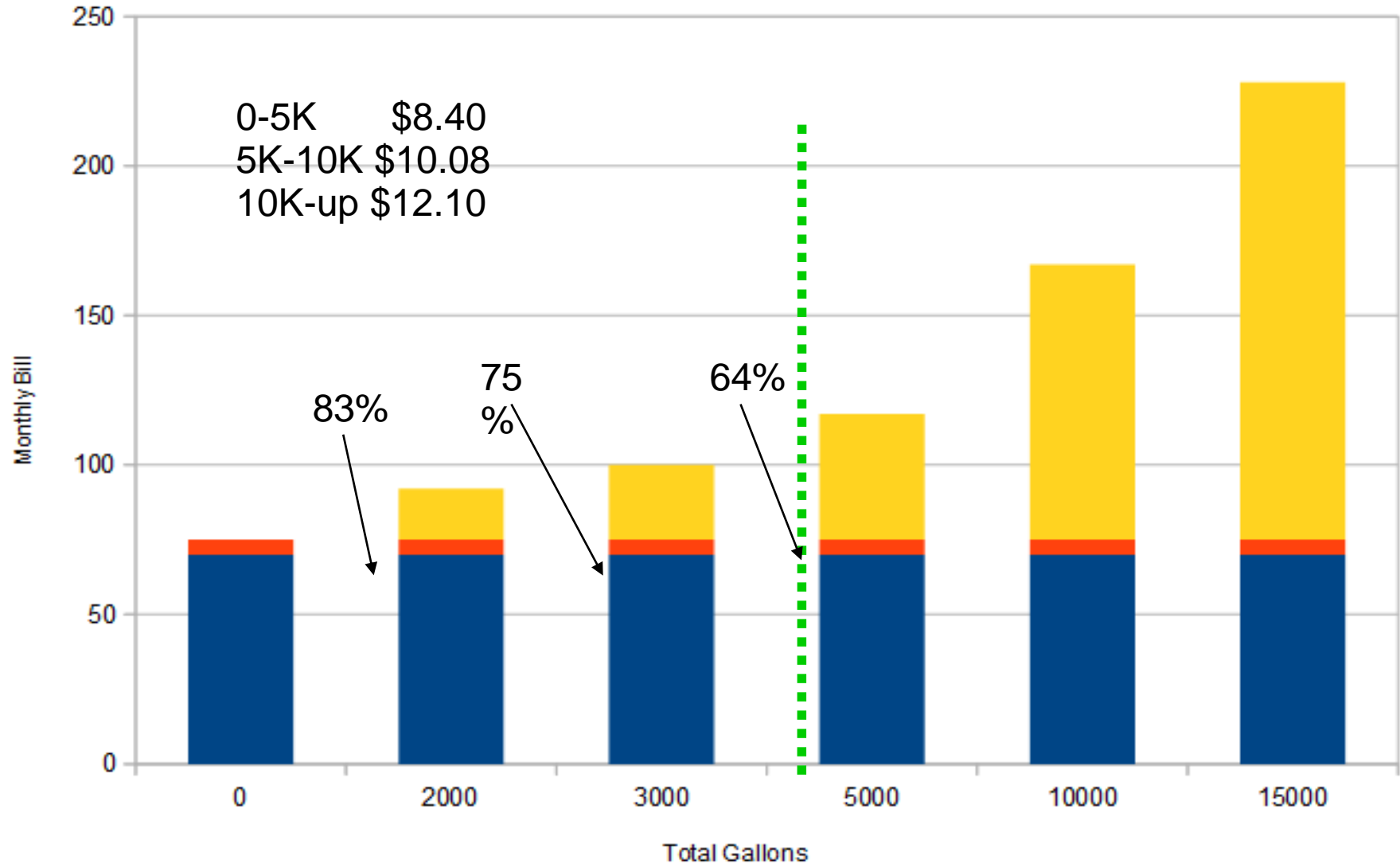
O&M vs Capital

- O&M expenditures are unclear
 - Capital funds not segregated
 - Loans, grants have cushioned the account
 - Escalation has been avoided
- Brandewie Study conflates the accounts
 - Most of the model is really O&M
- GMS' PER targets capital priorities
 - Three project lists, ~ \$10M

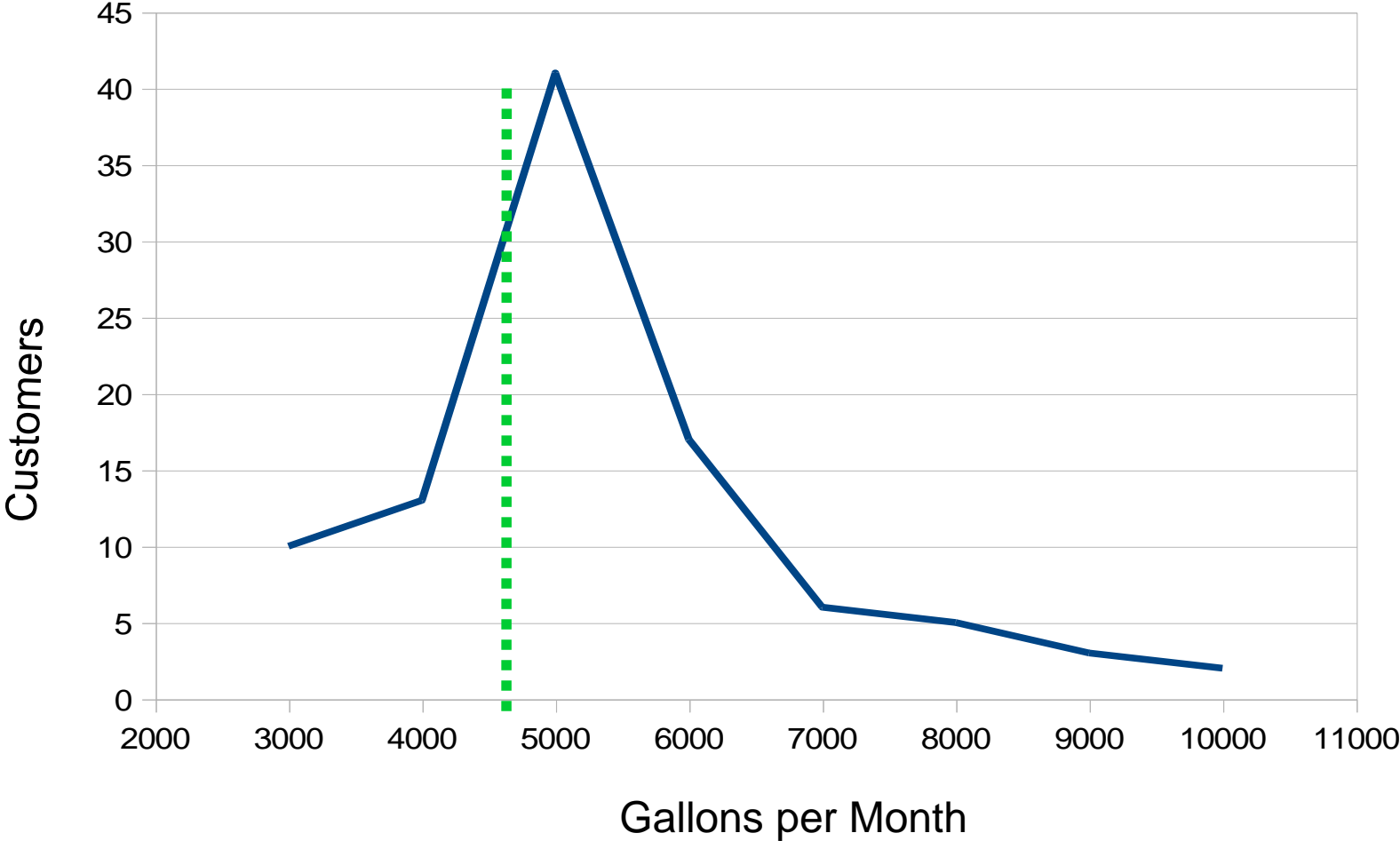
Near-term Required Actions

- 1) Resolve O&M funding immediately
 - Price increase: \$30, \$50, \$70?
 - Base price and tiers strategy
 - Separate from O&M and Capital investment
- 2) O&M investment strategy (July 2023 ?)
 - Brandewie recommendation
 - 20 year, 30 year, 90 year projection?
- 3) Capital investment strategy (Sept 2023?)
 - GMS PER recommendations

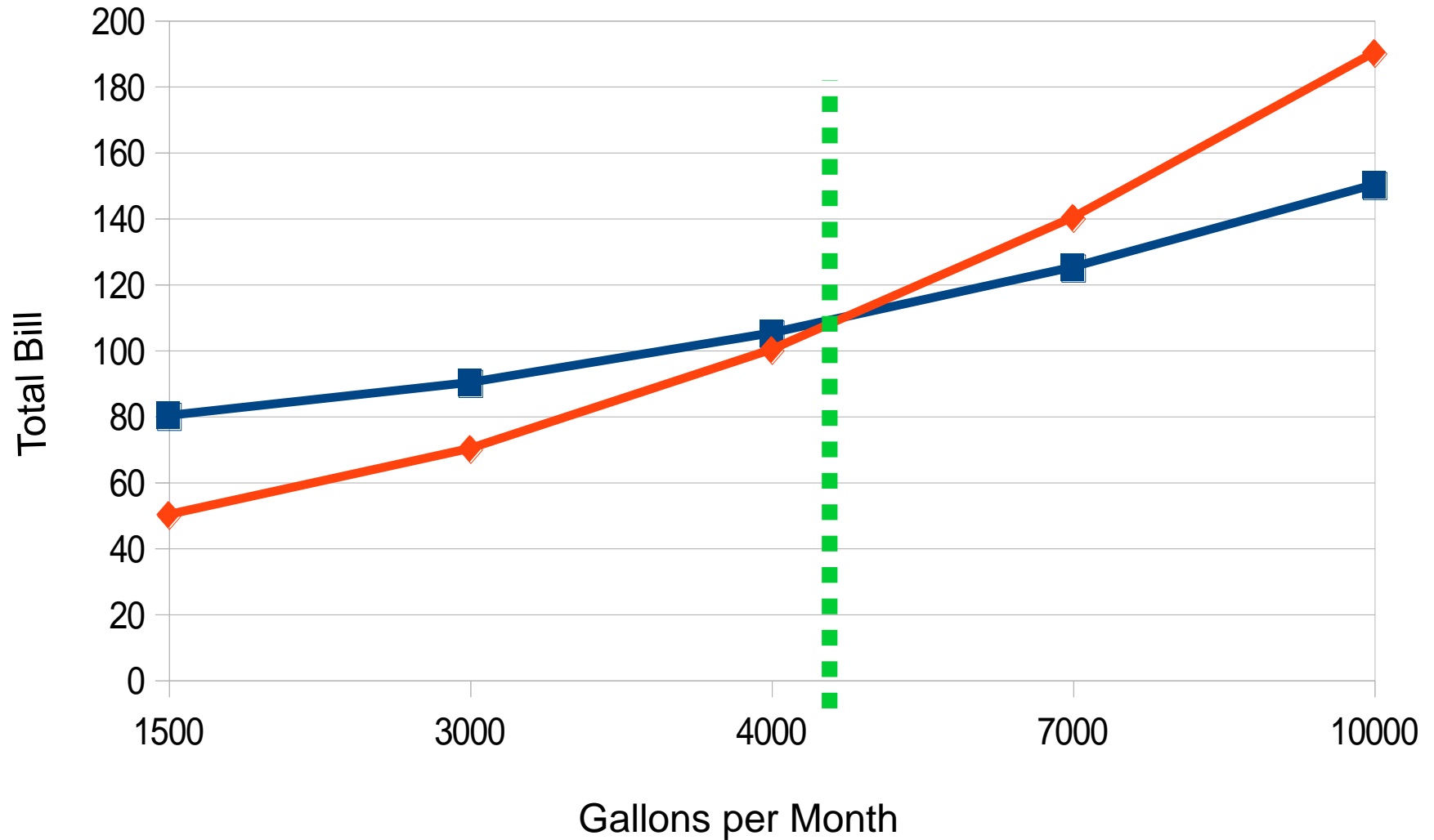
Current Palmer Lake Tiers



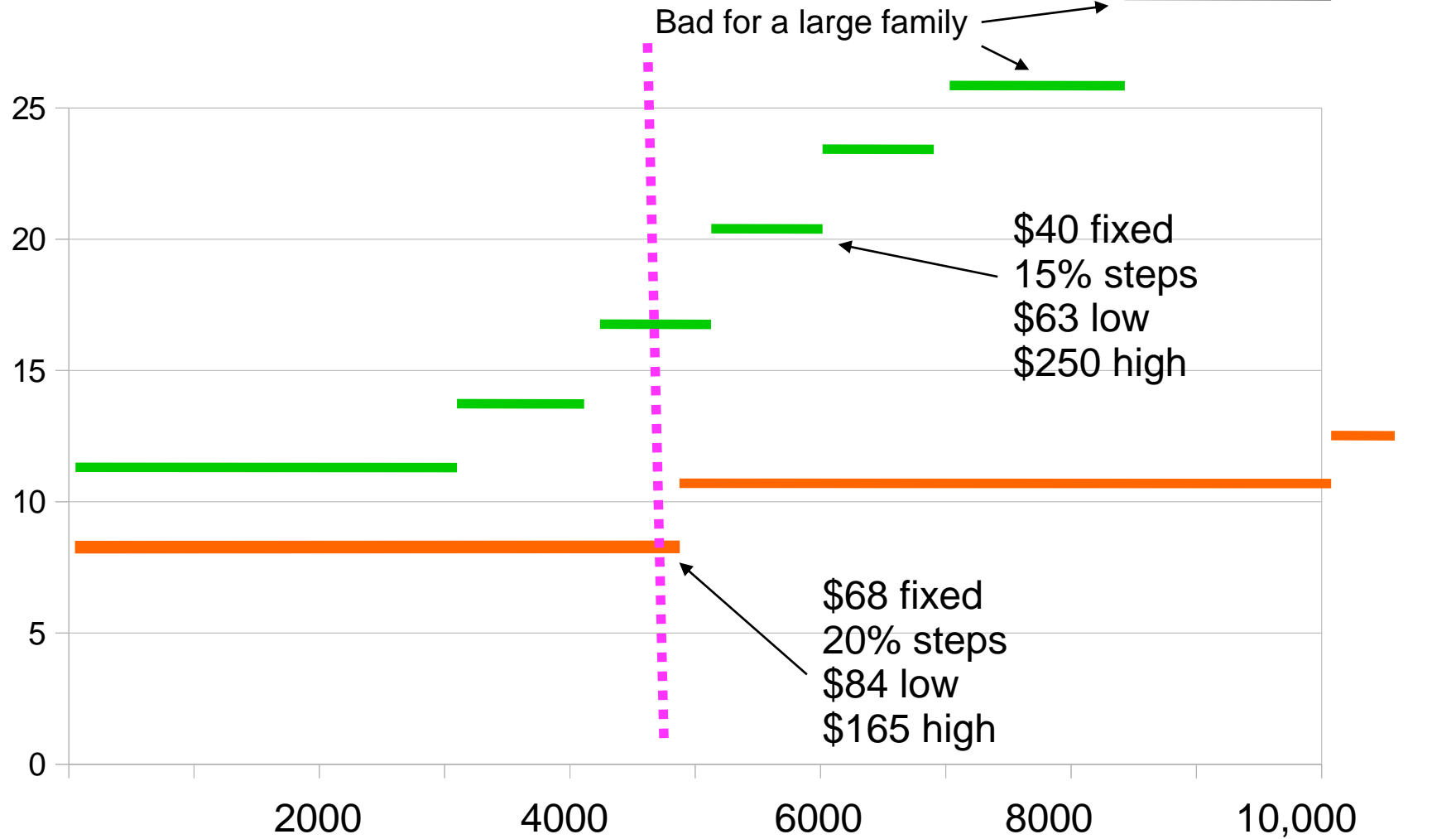
100 Customers



Maintain Total Revenue



Current vs Small Tiers



Recommendation

- Fix O&M expenses, \$30-\$50 right now
 - Multi-tier steps, lower base cost
- Brandewie O&M investments, ~\$20 in July
 - Fixed cost or prorated, based on usage
- GMS PER capital investments, ~\$20 in Sept
 - Fixed cost
 - PER is self-interested, be careful (peaking issue)
- Be mindful that Storm Water is next!