

West Sound Water Association
Summary of Fees
As Revised October, 2017

Our current monthly rate structure traces back to major changes made during 2009. In advance of WSWA's 2009 Annual Meeting, the Board of Directors discussed with members a new rate setting philosophy, which still guides us today. Our 2009 document is available to interested members.

Prior to 2009, each member paid a fixed monthly amount of \$40, plus a per-gallon charge for water usage that, together, generated much less revenue than we receive today. The Association still had a large loan (taken out years earlier to build the second storage tank), our cash reserves were low, and we were spending very little to upgrade what was by then a 20 year old system. Those concerns had led to a significant rate increase in 2007, but we found that our revenue actually declined because the rate structure we were using generated most of its revenue from per-gallon charges on water usage – we found that higher rates had encouraged conservation, we sold fewer gallons, and therefore received less revenue.

The new 2009 approach led us to assess all members (active water users or not) a fixed monthly charge (\$65/mo back then, \$69/mo now) that would be sufficient to allow WSWA to invest in our infrastructure and to cover all the “fixed costs” we would have *even if there were no water usage*. Per-gallon rates were still reasonable at low usage levels, but promoted conservation at high usage levels; and the per gallon charges were set to generate enough revenue to cover the costs of pumping and treating our water plus some related operating costs. Our revenue became much more predictable, and better able to support our system. A typical 2-person household (2500 gal/mo) saw its monthly payment increase from \$51 to \$95.

In 2011, a 3.7% surcharge was implemented after WSWA became subject to the state Public Utility Tax (on our monthly water charges) and the state Business and Occupations Tax (on most other income). Prior to 2010, the Association had been exempt from those taxes. The actual amount of tax we pay varies from year to year, depending on credits that we earn for capital spending on our system, but over time the average has been fairly close to the 3.7% figure.

In 2013, a 7.5% inflation adjustment was made to all aspects of the Monthly Billing Structure.

By 2017, when the rate structure was next reviewed, the WSWA board had become much more familiar with the state-mandated protocols for water planning (the “ERU” calculations). The maximum number of dwellings WSWA is allowed to serve is based

on our historical usage during the four peak usage months of June – September. Substantially less water is used during the other eight months. Rather than adjusting each element of the fee structure in proportion to inflation, in recent years we have covered inflation mostly from the per gallon charges during the peak usage months – which are now 25% higher than during the off-peak months. This promotes conservation at the time of the year it matters most for WSWA.

Following discussion with members, a proposal for “two tier pricing” was adopted by the Board of Directors, effective in the fall of 2017, with little opposition expressed:

- Each member pays a **monthly assessment**, now \$69, which is intended to fund the fixed costs the association incurs to provide a system with an infrastructure capable of serving the membership. We incur those costs regardless of whether a member elects to use water, and regardless of how much is used. The philosophy is that each member’s land benefits equally from access to WSWA water, so all members should share equally the costs of keeping the system in working order.
- Members who use water during a month also pay **usage charges** to cover the costs of pumping and treating our water, plus other usage-related costs:
 - Beginning with the first gallon used and through 2,000 gallons, the rate is 1.41 cents/gal from Oct-May, and 1.76 cents during June-Sept. To reward conservation, the 1.41 for this first bracket of usage is less than the actual cost we compute for preparing water for usage.
 - After a member uses 2,000 gallons during a month, the per-gallon price goes up. It increases again in 2,000 gal/month increments (see next page). The typical 2-person residence uses 2,000-2,500 gal/month, so it is hoped that the higher rate will help reinforce the need for conservation.
 - The schedule of per-gallon charges is 25% higher during the four peak usage months, to encourage conservation during those critical months.
 - WSWA supplies each member up to 13,500 gallons per month (450 gal/day). An over-use charge applies if a member exceeds that amount: \$50 during most of the year, and \$100 during the four peak usage months. In addition, the per-gallon charge is also very high when that much water is used.
- The 3.7% utility tax surcharge is applied to all of the above charges.
- Including that surcharge, a typical user (2,500 gal/mo) today pays about \$109 per month most of the year, and \$119 during the four peak summer months. The 25% peak period increase in the per-gallon charges represents roughly \$10 per month for that typical user (a two person single family residence).
- For most members, the per-gallon charges are about 1/3 of the total billing. The remainder comes from the \$69/month allocation of our fixed costs.

The table that follows shows our current two tier rate structure (higher per gallon rates during the four summer months).

| OCT-MAY ("Off-Peak Rate Schedule") | | | | JUNE-SEPT ("Peak Period Rates") | | | |
|------------------------------------|---------------------|--------------|----------------|-----------------------------------|---------------------|----------------|----------------|
| Monthly Allocation of fixed costs | | | \$ 69.00 /mo | Monthly Allocation of fixed costs | | | \$ 69.00 /mo |
| Usage Rate up to | 2000 gallons used | | \$ 0.0141 /gal | Usage Rate up to | 2000 gallons used | | \$ 0.0176 /gal |
| Add'l up to | 4000 gal increases | \$ 0.0025 to | \$ 0.0166 /gal | Add'l up to | 4000 gal increases | \$ 0.003125 to | \$ 0.0208 /gal |
| Add'l up to | 6000 gal increases | \$ 0.0025 to | \$ 0.0191 /gal | Add'l up to | 6000 gal increases | \$ 0.003125 to | \$ 0.0239 /gal |
| Add'l up to | 8000 gal increases | \$ 0.0035 to | \$ 0.0226 /gal | Add'l up to | 8000 gal increases | \$ 0.004375 to | \$ 0.0283 /gal |
| Add'l up to | 10000 gal increases | \$ 0.0010 to | \$ 0.0236 /gal | Add'l up to | 10000 gal increases | \$ 0.001250 to | \$ 0.0295 /gal |
| Add'l up to | 13500 gal increases | \$ 0.0010 to | \$ 0.0246 /gal | Add'l up to | 13500 gal increases | \$ 0.001250 to | \$ 0.0308 /gal |
| Add'l amt over | 13500 increases | 0 | \$ 0.0246 /gal | Add'l amt over | 13500 increases | \$ 0.000100 | \$ 0.0309 /gal |
| Overusage Chg | 13500 | | \$ 50.00 /mo | Overusage Chg | 13500 | | \$ 100.00 /mo |
| PUT Surcharge | | | 3.7 Pct | PUT Surcharge | | | 3.7 Pct |

Other Fees and Costs:

- A **late fee** of \$10 is charged if a billing remains unpaid by the 5th of the following month.
- A **membership transfer fee** of \$100.00 is charged to the new owner of a parcel that is associated with a WSWA membership, unless that fee is assumed by the seller.
- If a special meter reading is needed to prorate charges when a member's parcel is sold, there is a fee of \$10.00 for that special reading.
- Members may be charged additional fees for certain **labor or equipment** provided by the Association. For example: the installation of, or repair of, a backflow assembly (which may be required to implement the Association's cross connection policy); or any modifications on the member's side of the meter which the member requests that the Association take care of.
- The costs of a **new hookup** are borne by the member. See our Bylaws: Article IX, Sections 6 and 7. Members must use a **water meter** supplied by Association, and must cover the Association's cost for the first meter that is supplied at the time a member hooks up. After that, WSWA will replace meters at the Association's expense, whenever the Water System Manager judges that replacement is warranted.

Members are encouraged to contact Board members if they have any questions or comments regarding the rate structure.

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