

**BLUE RIBBON PANEL ON WATER SUSTAINABILITY (BRP)
ECONOMIC FUNDING WORKING GROUP PRESENTATION
MAY 27, 2010**

PRIVATELY HELD SMALL WATER COMPANY ISSUES

1) Funding availability for privately held's is limited

- a) Determine what funding is available for privately held's and what the criteria may be to become eligible for the funding/grant money if any. i.e. colonias, disadvantaged areas etc. We have found that grant money is not readily available for privately held's.
- b) Educate owners in how to obtain funding and or financing.
 - b-1) The problem here is that most owners are deathly afraid of the process and the process has become so burdensome and costly it is hard to convince them to move forward with financing, rate cases, etc.
- c) Streamline (fast track) the process for small water companies.
 - c-1 Establish a scale of sorts and determine by size what the process would be for rate cases and finance applications (it sometimes takes up to 18 months or more to get a rate case or finance application filed) The costs are in excess of 20 thousand because they are now required to have legal representation as well as an engineer at the onset of the application. Staff engineers constantly request an engineer's assessment of the opinion of probable costs. As you can well imagine it is very difficult for these small utilities to come up with that kind of money.
 - c-2 Rate increase requests and Green technologies seem to be competing interests. If you go green and become more efficient and reduce O&M costs, it would be hard to justify rate increases.
- d) While "green" is in these days it is difficult for the small utilities to think green when they cannot get the water from point "A" to point "B" due to aging infrastructure. Replacing the infrastructure is key to lessening water loss which is a huge "green" issue from where I stand. We must determine what is fundable and not fundable as far as green projects. Are electric meter readings green? Fundable? Would the ACC approve funding for all new electric meters?
 - d-1 Have the Commission establish a small system green project set aside fund.
 - d-2 Small systems are hampered in playing a significant role in sustainability partly because of limitations of WIFA funding and as well as limitations imposed by the ACC.

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d-3 While conservation is the desired effect of water reuse keep In mind it also affects the revenue flow of the small systems that already mostly work in the red. What is the incentive here for the smalls? Can this be done through rates?

Is the answer a flat rate (determined on the revenue required to keep the system operational and in the black while allowing for a reserve fund for maintenance and/or repairs or emergencies? And not based on a cost per gallons used?

Find a way to send reclaimed water through purple pipe at less cost will promote more reclaimed water use. Could we change the rules to be able to regulate reusable water lines? But then who would operate and or be certified to monitor this use?

d-4 The concept of the “Green Project Reserve for Small Water Systems” might bridge the gap. If WIFA or some other entity could make smaller loans to small water companies, and use the sliding scale for a re-payment and loan forgiveness programs, it might be possible for small water companies to obtain these funds without a rate increase request or maybe just a modest increase. The process needs to be streamlined so that it could be implemented quickly and the application costs are small. Many times these companies sink further and further in financial hole while waiting on approval for financing. They are already stressed systems when they come in. Again, I have seen it take up to 18 months to get approval.

- e) More effort needs to be made to facilitate the reuse of effluent by private water companies. WIFA does not fund wastewater plants so the eligible portion of the job is limited to trans and dist piping of reclaimed water with no participation in the upgrading of wastewater effluent to make it suitable for reuse. Develop a clearing house (web site?) for conservation strategies.

There needs to be more incentives to go green and to use gray and/or reclaimed water. How is the company going to pay for this special infrastructure?

- f) In closing I believe more focus should be made in getting the small utilities in shape so as to make them sustainable for the future. Most of the companies I deal with have had the infrastructure in the ground for 50 to 60 years and sometimes more.
The process needs to be streamlined for rate cases and finance applications. And more grant funding should be available. There needs to be an established scale wherein some funding can be forgivable depending on the median household income in any given area. A loan program needs to have a cap limit so that it does not appear to be a way to circumvent the rate increase process. And lastly a determination should be made clear as to what defines what monies are available to “small privately held utilities”.