

As you may have seen on our Council agenda over the last several months and have probably heard around town, the City of Graham is currently a party in a Public Utility Commission rate appeal. In October of 2017, Fort Belknap Water Supply Corporation, Graham East Water Supply Corporation, and the City of Bryson filed an appeal against Graham claiming that the wholesale water rates charged by Graham violated public interest. The City of New Castle joined the appeal in December of 2017. The Graham Water Department is an Enterprise Fund which is funded almost entirely from the production and sale of water, both retail and wholesale. The City does not use ad valorem (property), sales or franchise taxes to fund any portion of the Graham Water Department. The City water system requires constant maintenance, improvements and expansion. About 1/3 of our treated water is sold to our wholesale customers, which includes the four that filed petitions before the PUC and Throckmorton. Over 2 years ago, Graham officials and staff began putting together a plan to accomplish the needed maintenance, improvements and expansion. From the very beginning of this planning, we determined that the current rates, which had been in place since 2014, were insufficient to cover the cost of operating the system and certainly could not begin to fund the required improvements and expansion. After providing over two months of notice to the wholesale rate providers without comment from them, the City implemented a water rate structure which would cover the current expenses of the Water Department (Administration, Treatment, Distribution and Maintenance), pay for Debt Service on the bonds issued to build the new Water Plant and set a portion of the revenue aside for system maintenance, improvements and expansion such as an alternate water line to town, a stand pipe on Spivey Hill and also our much needed and anticipated Water Line Replacement Plan. As most are aware the biggest fault in our system now is that we have a new plant and old and aging water lines. In February 2017, the City hired a consultant to perform a rate study, and the City adopted rates, including a wholesale rate, based upon this study. The City was aware that the rate study would be based on data using older meters so planned to perform a new rate study after the City had a year of data from the new meters. The City has hired a firm to do a new rate study for the City of Graham and expedited the wholesale portion of the study to accommodate the four wholesale customers who filed the appeal with the PUC. The City implemented the new wholesale water rate in accordance with the second rate study on April 18, 2019. We anticipate that the retail study for our current City of Graham customers to be ready in the near future and, based on the results of the wholesale portion of the rate study, will hopefully be able to lower rates slightly and still be able to meet the financial needs of the City system. However, the unresolved rate appeal leaves the City with a large unknown regarding future funding for our system which will influence the City's ability to proceed with a rate decrease. The April 18, 2019, wholesale rate change went from \$6.35 per 1000 gallon to \$5.52 per 1000 gallon. The Council decided not to charge a fee based on meter size to the wholesale customers. Our rate structure inside the city limits is much different than the bulk sales rate we supply to the Wholesale Customers. This explanation is overdue, and I hope sheds some light on the some of the changes that water customers have experienced in the last couple of years and will experience in the foreseeable future. Planning and accomplishing the water line replacement and other projects will require a considerable amount of financial, equipment and time investment for the City. In addition to influencing a possible retail rate reduction, the uncertainty of the rate appeal, which could be pending for another year, influences the City's ability to move forward with the needed water projects. If you have any questions or would like more information on the topic please feel free to contact me at City Hall 940-549-3325