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June 9, 2009

Dorene Niederklein
Crawford Cons. RWD 1
428 S. 160 St.
Girard, KS 66743

Dear Dorene;

You requested that KRWA provide options for potential rate increases with the addition of \$115,750 annual debt for a new treatment plant.

In 2008, the district had expenses of \$502,729 and the revenue from water sales was \$486,416. The revenue only included the monthly minimum and the metered water sales. We did not use the "Non-operating Receipts" in the calculation.

The enclosed "Water Rate Review" has a breakdown of the revenue and expenses for 2008. The monthly minimum with the annual debt service should be \$11.76 for each of the 820 customers. The cost to produce/treat the water is \$4.57 per 1,000 gallons and the actual cost of water sold is \$5.84 per 1,000 gallons. The reason these two are so divergent is that the unaccounted for water for the district is 21.8%. In other words the district could not account for 23,991,000 gallons of water. If the water loss was reduced by 10% or 10 million gallons per year, the district could save \$5,500 per year considering the cost of power and chemicals only.

I have listed the current rates for the district and three options for rate increases on the enclosed "Water Rate Options" page. Present rates are: Monthly minimum \$24 with no water included and \$3.10 per 1,000 gallons.

Options #1 and #2 will generate revenues of approximately \$619,000 by adjusting the monthly minimum to either \$28 or \$30 and the cost of water to \$3.75 or \$4.00 per 1,000 gallons.

Option #3 was calculated using a monthly minimum of \$30 and cost of water at \$4.00 per 1,000 gallons. This option could potentially generate revenues of \$639,700.

If the costs remain close to the expenditures in 2008 the district would need to generate approximately \$618,500. The above options provide a starting point for discussion. It is impossible to determine the impact the new plant will have on the expenses after it is put into service.

Please let us know if you have any questions with this review or if you need any other assistance.

Sincerely,

Greg Duryea
Technical Assistant

c: Kevin Mikrut, Operator

**Crawford Cons. RWD 1
Water Rate Options
6/8/09**

Current Rate: \$24.00 + \$3.10 per thousand thereafter				
Income from minimum bills	820	\$	24.00	\$ 236,160.00
Water sold at \$3.10 / thousand	86130	\$	3.10	\$ 267,003.00
Total Revenue				\$ 503,163.00

OPTION #1				
Suggested Rate: \$30.00 + \$3.75 per thousand thereafter				
Income from minimum bills	820	\$	30.00	\$ 295,200.00
Water sold at \$3.75 / thousand	86130	\$	3.75	\$ 322,987.50
Total Revenue				\$ 618,187.50

OPTION #2				
Suggested Rate: \$28.00 + \$4.00 per thousand thereafter				
Income from minimum bills	820	\$	28.00	\$ 275,520.00
Water sold at \$4.00 / thousand	86130	\$	4.00	\$ 344,520.00
Total Revenue				\$ 620,040.00

OPTION #3				
Suggested Rate: \$30.00 + \$4.00 per thousand thereafter				
Income from minimum bills	820	\$	30.00	\$ 295,200.00
Water sold at \$4.00 / thousand	86130	\$	4.00	\$ 344,520.00
Total Revenue				\$ 639,720.00

Crawford Cons. RWD 1 Water Rate Review 6/8/09

1. Principle (debt service):	\$115,750
2. Interest:	\$0
3. Gallons Sold in 1000's:	86130
Gallons Flushed in 1000's	0
4. Gallons Produced / Purchased in 1000's:	110121
5. Number of active users:	820
6. Revenue from metered sales, includes debt payments (do not include bulk sales)	\$486,416
7. Total Operating expenses, (salaries, ins. Utilities, etc.) (does not include principle or interest payments)	\$502,729
8. Payment to reserve account	\$0
9. Amount funded for depreciation	\$0
*** TOTAL CASH REQUIREMENT (includes debt service) ***	\$618,479
A. Debt Service per user per month (this represents a uniform rate as a monthly minimum)	\$11.76
B. Operating cost per 1000 gal sold, incl. Depreciation (does not include debt service)	\$5.84
C. Operating cost per 1000 gal sold not funding depreciation (does not include debt service)	\$5.84
D. Operating cost per 1000 gal produced/purchased including depreciation (does not include debt service)	\$4.57
E. Operating cost per 1000 gal produced/purchased NOT including depreciation (does not include debt service)	\$4.57
F. Revenue surplus/shortage (indicates amount of funding needed to cover all costs a negative figure indicates a shortage)	(\$132,063)
G. Average expense per customer per month	\$62.85
H. Minimum Rate, funding depreciation	\$11.76
I. Minimum rate, not funding depreciation	\$11.76
J. Average water loss in %, annually	21.8%