

WATER MANAGEMENT SERVICES, LLC

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SUITE 401
2 INTERNATIONAL PLAZA
NASHVILLE, TENNESSEE 37217

Memorandum

To: Marty Ivy
From: Steven Jones
Date: February 29, 2024
Re: Wholesale Water Rate Recommendations

The results of the rate study indicate that a rate increase is needed in order to maintain a positive net position for the water system. The results of the study found that monthly meter charge for customers required to recover costs associated with customer service should be established at \$5.00 per month. This is significant because the recently expired contract with Graves County Utility District established a monthly customer charge of only \$4.00 per month during the contractual period. While such a charge may have been sufficient at the beginning of the contract, increases in operational cost over time resulted in MEWS failing to recover adequate funds to offset the cost of providing the service.

Regarding minimum residential bills it is recommended that the first 2,000 gallons of water remain included in the bill and the minimum bill be adjusted to \$11.74. Water usage above the minimum bill is recommended to continue using the existing inside/outside city rate structure and that all the existing water usage rates be increased by 10%. The proposed water usage rates are presented in the following table.

| Consumption Interval | Existing Inside Customer Rates | Existing Outside Customer Rates |
|----------------------|--------------------------------|---------------------------------|
| First 2,000 | - | - |
| Next 3,000 | \$4.53 | \$6.73 |
| Next 5,000 | \$4.18 | \$6.26 |
| Next 15,000 | \$3.63 | \$5.43 |
| Next 25,000 | \$3.09 | \$4.62 |
| Next 50,000 | \$2.99 | \$4.50 |
| Next 100,000 | \$2.73 | \$4.09 |
| Next 100,000 | \$2.53 | \$3.80 |
| Next 200,000 | \$2.27 | \$3.40 |
| Next 500,000 | \$2.08 | \$3.12 |
| Over 1,000,000 | \$1.99 | \$3.00 |

The rate study also reviewed the cost of providing contractual labor for maintaining the Graves County Water District system. To provide maintenance for the Graves County Water District distribution system, MEWS retains four (4) full-time employees that are solely responsible for the work on that system. Under the expired water purchase agreement, a rate of \$40.00 per hour has been established for these employees and the water district is billed monthly for those fees. The rate study found that the cost of these employees exceeded the reimbursement for their time. The average hourly cost of the employees was calculated, and it is recommended that the contractual rate be adjusted to \$50.55 to recover the cost associated with the employees.

The final recommendation is that any long-term contract contain a provision for a minimum yearly rate adjustment to cover increases in operational cost. Such a provision will help to ensure that MEWS does not provide services at a rate that does not cover the operational cost for the water system. Therefore, it is recommended that an annual rate increase be included in wholesale water purchase contracts and operational contracts to allow for increases of up to 2.5% annually.