

## Overview

The Public Service Authority (PSA) is proposing increases in water and sewer rates effective June 1, 2013. The PSA Board understands that any rate increase is not popular or welcome; however, it is essential in order for the PSA to continue to provide quality drinking water and environmentally sound sewer services to its customers.

The PSA has maintained reasonable service rates for water and sewer services and has not had a rate increase in seven years. Increased regulatory and operating costs and debt coverage policies require additional revenues to continue to comply with regulatory mandates.

Please take a few moments to read this brochure to learn more about how the increase will impact you and why it is necessary to have a rate increase.

In accordance with Virginia Statute §15.2-5136, **the PSA Board of Directors will hold a public hearing on May 20, 2013 at 7:00 p.m. in the Summerlin Room of the Henry County Administration Building on Kings Mountain Road.** The purpose of the meeting will be to afford all users and others interested to be heard concerning the proposed increases in rates and fees.

## Why have the PSA?

The PSA purifies nearly 3,000,000 gallons of water a day and transports it through 348 miles of pipes to residents, businesses, industries, schools, and churches. Public water is reliable and you do not have to worry about well pumps, water tanks, or power outages. Several of Henry County's largest manufacturers depend on quality water for their operation — this equates to jobs for you. Our system of 13 water tanks, numerous pumps and 1,600 hydrants greatly improves our community's fire protection and ultimately lowers your property insurance rates.

As part of your water rate the PSA ensures the quality of the water by testing it routinely for bacteria and other pollutants to make sure it is safe for you and your family.

We work to prevent wastewater from entering our rivers and streams and eliminate the need for you to maintain your own septic system. Simply put, "You can flush and forget it," and that includes water from showers and sinks.



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[www.henrycountyva.gov/PSA.html](http://www.henrycountyva.gov/PSA.html)

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## HENRY COUNTY

### PUBLIC SERVICE AUTHORITY

## Notice of Proposed Water and Sewer Rate Increases



**What changes are being considered and why?**

The PSA is bound by law to comply with a mandatory debt-coverage ratio of 20% of operating costs. The debt-coverage ratio is a figure placed on the PSA by the financial entities that hold bonds on the PSA's debt. If we don't maintain a 20% "cushion" as mandated, the bondholders can take over the PSA and turn it over to an entity that would run it for profit. That would mean your rates could skyrocket.

The PSA last adjusted its rates in 2006. Since that time our community and our country have gone through a significant recession and customer growth has been slow. With those factors in place, the PSA Board of Directors and staff worked diligently to manage costs and still provide the best service we could. In fact, we were able to stretch out our 2006 rate adjustment for seven years, even though it was supposed to get us through only five years.

Another issue is the PSA's infrastructure. We have nearly 600 miles worth of water and sewer pipe in the Henry County ground, and much of that infrastructure is in need of replacing or upgrading. Without adequate cash flow, we would be unable to make those upgrades.

Finally, another major reason for considering these rate adjustments is to bring our rates closer to what funding agencies want them to be. The PSA's current rates are too low for some funding agencies to consider us for grants for projects. With the new rates the PSA may qualify for low-interest loans (which have to be repaid) from Rural Development, the Virginia Department of Health and the Virginia Department of Environmental Quality. Rural Development also provides grants (money that doesn't have to be repaid) for rural localities to upgrade or install new water and sewer lines. Certainly we would prefer grant money over loans; however, the proposed rates still would not meet the Rural Development requirements for those grants.

**Why doesn't the PSA cut costs before it alters rates?**

We have cut costs. We constantly monitor our costs and we make adjustments as often as we can. Our last rate adjustment was in 2006, and we anticipated it taking us for the next five years—but we were able to stretch it to seven years. We had 110 employees in the mid-1990's; today we have 52. We entered into employee sharing agreements with Henry County so that we can use our personnel as wisely as possible.

We rely heavily on grants to do construction and rehabilitation projects. If a project can't be funded unless we have enough local money to put in, then we don't do that project. The inability to expand our system hurts the PSA and potential customers in Henry County who need and deserve adequate public water and wastewater services. Our current rate structure and our proposed rate structure are comparable to other service authorities throughout our region and Commonwealth.

Base Rate Each for Water & Sewer		
	Current	Proposed
<b>Residential</b>	\$26.00	\$30.00
<b>Industrial</b>	\$39.00	\$45.00
<b>Institutional</b>	\$59.50	\$68.50
<b>Senior/Disabled Discount</b>	(\$5.00)	(\$7.00)



*Smith River Water Intake Facility*

**What are the proposed residential rates?**

The proposed rate for residential customers is \$30 a month for up to 4,000 gallons of water and \$30 a month for up to 4,000 gallons of sewer (which is based on the amount of water consumed). In addition, the PSA would charge \$4.70 a month for water and \$4.70 a month for sewer for each additional 1,000 gallons over the minimum. That means that nearly two-thirds of our residential customers will see a monthly increase of only \$4 for water and \$4 for sewer, based on their present consumption. That would take the average monthly bill to \$30 a month for water and \$30 a month for sewer, for a total monthly bill of \$60. If a customer uses 5,000 gallons a month, which is 1,000 gallons over the minimum, that customer would pay \$69.40 a month. Discounts to senior and disabled citizens will increase to \$7 per service.



**What are the proposed non-residential rates?**

Commercial customers would pay \$45 a month for water and \$45 a month for sewer, based on a usage of 4,000 gallons a month. For every 1,000 gallons over that minimum the commercial customer would pay an additional \$7.00 for water and \$7.00 for sewer. Institutional customers would pay \$68.50 a month for water and \$68.50 a month for sewer, with an additional \$8.10 for every 1,000 gallons over the minimum of 6,000 gallons for water and \$8.10 for sewer.