

## Water Rate Case Settled

Your HOA is very pleased to announce that an amicable settlement was reached in the water rate hike dispute on terms very favorable to homeowners. As you know, the Windermere Utility Company (WUC) has filed with the TCEQ for a rate increase effective September 5<sup>th</sup> (called *Contested Sep 2006 Rates* below). These rates would have raised the typical homeowner's water & sewer bill by 56.5%. To avoid this huge increase and the likelihood of an additional large increase circa 2009, the five largest affected HOAs banded together to seek a settlement with the WUC on behalf of all ratepayers. The HOAs conducted an extensive analysis of the WUC's cost structure and formulated an alternative to the Contested Sep 2006 Rates. The settlement agreement begins in October 2006 and can be summarized as follows:

	Contested Sep 2006 Rates	Agreed Oct 2006 - 2007 Rates	Agreed 2008 Rates	Agreed 2009 Rates	Agreed 2010 Rates	Agreed 2011 Rates
Water Base Monthly Charge	\$26.39	\$13.80	\$14.10	\$14.40	\$14.70	\$15.00
Water Gallonge Charge	\$4.20	\$4.00	\$4.45	\$4.90	\$5.35	\$5.80
Sewer base Monthly Charge	\$39.83	\$24.00	\$26.05	\$28.10	\$30.15	\$32.20
Sewer Gallonge Charge	\$4.50	\$4.20	\$4.70	\$5.20	\$5.70	\$6.20

The settlement fixes rates through 2011, eliminating the hazard of the utility filing for another rate increase prior to 2012. The settlement also reduces the utility's reliance on base charges, in favor of variable gallonge charges that are proportional to consumption. Finally, the settlement phases in the changes through 2011 using a ramp. This necessarily means additional annual increases in 2008 through 2011, but it was felt that the benefit of a smooth transition outweighs the inconvenience of smaller annual increases.

The typical homeowner averages 7,500 gallons of water and 5,000 gallons of sewer service per month. The above rates translate into an average water bill as shown below:

	Contested Sep 2006 Rates	Agreed Oct 2006 - 2007 Rates	Agreed 2008 Rates	Agreed 2009 Rates	Agreed 2010 Rates	Agreed 2011 Rates
Typical Monthly Water Cost (7,500 gal.)	\$57.89	\$43.80	\$47.48	\$51.15	\$54.83	\$58.50
Typical Monthly Sewer Cost (5,000 gal.)	\$62.33	\$45.00	\$49.55	\$54.10	\$58.65	\$63.20
Typical Monthly Total Cost	\$120.22	\$88.80	\$97.03	\$105.25	\$113.48	\$121.70

The average bills are lower under the settlement than they would be under the Contested Sep 2006 Rates. The amount of the savings to the typical homeowner is summarized in the following table for the years 2007 through 2009. (If your specific usage is greater or less than the averages shown, your bill will also be lower, although by amounts different than those shown.)

	Agreed Oct 2006 - 2007 Rates Compared to Contested Sep 2006 Rates	Agreed 2008 Rates Compared to Contested Sep 2006 Rates	Agreed 2009 Rates Compared to Contested Sep 2006 Rates
Average Monthly Water Cost (7,500 gal.)	\$14.09 (or 24.3%) lower	\$10.42 (or 18.0%) lower	\$6.74 (or 11.6%) lower
Average Monthly Sewer Cost (5,000 gal.)	\$17.33 (or 27.8%) lower	\$12.78 (or 20.5%) lower	\$8.23 (or 13.2%) lower
Average Monthly Total Cost	\$31.42 (or 26.1%) lower	\$23.20 (or 19.3%) lower	\$14.97 (or 12.5%) lower

Note that these dollar figures are monthly savings. Typical annual savings will be twelve times as great. This savings more than pays for your HOA dues for several years. The percentage savings apply to each month and the year. For example, the settlement saves the average homeowner a total of 26.1% in 2007 compared to the Contested Sep 2006 Rates. Note that it makes little sense to compare the settlement rates beyond 2009 to the Contested Sep 2006 Rates because there almost certainly would have been another hefty rate increase filed about that time. The settlement eliminates the risk of a new rate case battle prior to 2012 at the earliest.

The settlement eliminates the need to pursue costly and time-consuming legal effort through the formal TCEQ protest process. This benefits the HOAs, the utility, and all ratepayers. Under TCEQ rules all the utility's legal expenses are ultimately chargeable to the ratepayers in future rate change applications, consequently it benefits everyone to settle sooner rather than later.

Special thanks to the five HOA representatives who made this settlement possible: Earl Wellborn (Windermere HOA), Kimberly Vaughn (Cambridge Heights HOA), Cathy Caballero (Springbrook Meadows HOA), Angel Hernandez (West Park / Park Place HOA), and Jo Schambach (Heatherwilde HOA). Analysis of the utility's rate increase application, simulation of utility revenue and ratepayer costs, and development of alternatives was performed by Clark Thompson for Windermere HOA.