

CHOCTAW UTILITIES INC.

CURRENT LINES OF EFFORT – PATH FORWARD

13 JUNE 2017

CURRENT LINES OF EFFORT

- Plant Replacement
- Incorporation Status
- Flushing Taps/Hydrants
- Operations

INITIAL PLANT REPLACEMENT ESTIMATES

- Initial IBI Estimates:
- \$2.6 million for Pressure Filter Option
- \$2.9 million for Gravity Filter (Dualator) Option

IS PLANT REPLACEMENT NECESSARY?

- ORWA Circuit Rider: provided information that plants generally last 30 years
 - 40 years if extremely well maintained – Our plant is 47 years old
- MS Consultants: provided input that attempting to repair current facility “screams” change order, which would rapidly drive up cost and increase risk
 - Likely no real savings in repairing existing facility
 - Risk in unknown expenses while upgrading existing structure

PLANT TOURS/LESSONS LEARNED

- Over 7 plants of various styles have been visited
- Desirable Features:
 - Tonka equipment
 - Spoken highly of by **every** plant operator
 - Simulwash (Air Water Backwash)
 - Air added to backwash to break up mudball formation – potential cause of issue last year
 - Will save 1.7 million gallons of water currently used in backwashing (5gpm/sqft vs 15gpm/sqft)

UPDATED PLANT REPLACEMENT COSTS

- Reach out to MS Consultants for second opinion
 - Provided high quality bid for 2016 engineering study
 - Highly recommended by previous customers
- \$1.75 million for Pressure Filters in Tonka DTS (packaged) system
- Gravity Filters – estimate not given, more involved engineering would need to occur for detailed estimate
- Projected increase of \$8-10/month per home to construct new plant

BUT WHAT ABOUT THE COUNTY?

CU OPTION

- Bill estimated \$38-40/month
- Set Own Rates
- Predictable
- Non softened Water
 - Potential to soften

COUNTY OPTION

- Bill estimated \$48-50/month
- County/State Set Rates
- Unpredictable, no previous water experience
- Lime Soda Softened Water

MAIN RISK WITH COUNTY

- Uncertainty over future rates
 - If the state/county own the plant, they have justification to increase rates

(b) Water rates are extremely low. Based on a median household income of \$109,879 (2014 U.S. Census data), annual water rates should be in the range of \$1428 to \$3405 per year. Current rates are \$360 per year for unlimited water, close to an order of magnitude too low on the high end. The agency strongly encourages Choctaw Utilities to charge a more reasonable price for water especially in light of the fact if your copper exceedances continue it may be an expensive repair. With rate increases, the plant could soften the water and eliminate the need for homeowners to do it themselves. I understand water rates were recently raised but they still remain low, consider implementing a phased approach to increasing rates. We recommend the rates be between 1.3% and 3.1% of median household income in order to maintain the system in proper working order.

WHERE ARE WE AT TODAY?

- We've squeezed Tonka and MS for a lot of "free" information
 - Multiple free meetings - MS has attended one CU meeting, Tonka has attended **two**
- Lowest Cost Way ahead identified:
 - Select system: Pressure Filters or Dualator Gravity Filters
 - Retain firm to provide 30% engineering/drawings
 - Take 30% drawings to design/build firm for 100% completion and ACTUAL cost to install
- Lowest risk, most predictable way ahead

INCORPORATION STATUS

- CU is currently organized as For Profit Company
- We pay real estate taxes on CU property
- Excise taxes

- Way Ahead: Reincorporate as Non-Profit

ORC EXEMPTION FOR WATER UTILITIES

5709.111 Exemption of property used exclusively in treatment, distribution, and sale of water to consumers.

All real and personal property belonging to a political subdivision or to a nonprofit corporation as defined in division (C) of section [1702.01](#) of the Revised Code is exempt from taxation if it is used exclusively in the treatment, distribution, and sale of water to consumers.

Effective Date: 09-03-1985 .

NON PROFIT BENEFITS

Jennifer S. Hunter
MADISON COUNTY AUDITOR | MADISON COUNTY, OHIO

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|--------------|------------------------------------|-------------------|----------|-------|
| 24-01546.000 | CHOCTAW UTILITIES INC | 2005 ITAWAMBA TR. | 499 | 10.78 |
| 24-01546.001 | CHOCTAW UTILITIES INC | ITAWAMBA TR. | 400 | 2.01 |
| 24-01575.000 | CHOCTAW UTILITIES INC | SHOSHONE DR. | 880 | 0 |
| 24-01651.000 | CHOCTAW UTILITIES INC | 1150 CHOCTAW DR. | 499 | 0 |
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- CU currently pays real estate taxes totaling ~\$40k on the above property

BENEFIT TO CLPOA

- CLPOA currently pay taxes on 3 lots that are currently non buildable
 - Fall within 1000' well field protection zone
- 1955 Itawamba: \$436.30/yr
- 1975 Itawamba \$261.28/yr
- 1985 Itawamba: 259.08/yr
- Gets CLPOA and BoT out of the Water Business
 - BoT would remain in control of CU Board of Directors
- If these lots were transferred to CU, annual savings would be \$956.66 to CLPOA

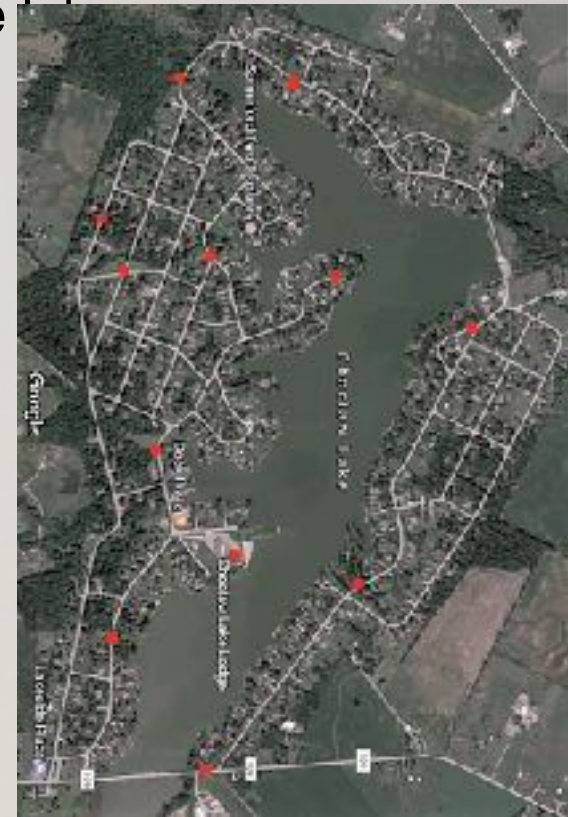


INCORPORATION SUMMARY

- Anticipated savings to CU of ~\$50k
- Annual savings to CLPOA of ~\$1k
- Lower liability
 - Cheaper insurance

FLUSHING TAPS/HYDRANTS

- Currently exploring plan to replace “blow off assemblies” around the town
 - EPA has approved, currently in cost exploration phase
 - Needs to be accomplished regardless
- Initial purpose is to improve main flushing capability
- Future use may be for fire suppression purposes
 - Determined by flow rates – more study required
- Plan is to phase in a system of hydrants over time



OPERATIONS

- Creating CU office at current plant facility
- Improved billing, higher quality, better accountability
- Plan is to hire own office staff