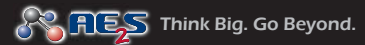


UTILITY ENTERPRISE MANAGEMENT

The Source

2nd Quarter 2008



Annual Regional Utility Rate Surveys Completed

The 2008 AE2S Annual North Central Utility Rate Surveys have been completed. The surveys include a summary of water, wastewater, stormwater and solid waste utility rates. Also included are statistics regarding anticipated rate increases, system development charges, drought contingency/conservation planning, water loss, industrial pretreatment programs, Significant Industrial Users (SIUs), and biosolids management.

The surveys represent the collective input from 208 communities and regional water systems throughout the States of Minnesota, Montana, North Dakota, South Dakota, and Wyoming, with information provided by Finance

Directors, Auditors, and Utility Managers. The data from the completed surveys is compiled and presented in a booklet format. In the past, participants have found that the survey results are an invaluable tool for utility, finance, and city managers to use when discussing rates with policy makers and rate payers. All survey participants receive complimentary copies.

For additional information concerning the survey or its findings, please contact Sheryl Smith at 701.746.8087, or by email at Sheryl.Smith@ae2s.com.



Since as early as the 1920's water and wastewater utilities have been using a form of system development charges (SDCs). SDCs (also referred to as access charges, impact fees, development charges, or capital recovery fees) are generally one time fees specifically designed to pay for the capacity costs associated with growth of municipal water and wastewater utilities. Although the general principles are the same, the manner in which SDCs are applied and the amount of the associated fees may vary widely between municipalities. For our 2008 North Central Utility Rate Surveys, we asked

System Development Charges - "Growth Pays for Growth"

participants to share information regarding SDCs for their utilities.

METRO SYSTEM STATISTICS

Metro area communities (defined as communities within the Minneapolis/St. Paul seven county metropolitan area) reported that residential Water Access Charges (WAC) and Sewer Access Charges (SAC) were the most common SDCs in the metro area. WAC and SAC have been implemented in 64 percent and 93 percent of communities, respectively.

Ranges of WAC and SAC for metro communities are provided in Figures 1.1 and 1.2.

FIGURE 1.1: METRO RESIDENTIAL WATER ACCESS CHARGE (WAC) RANGES

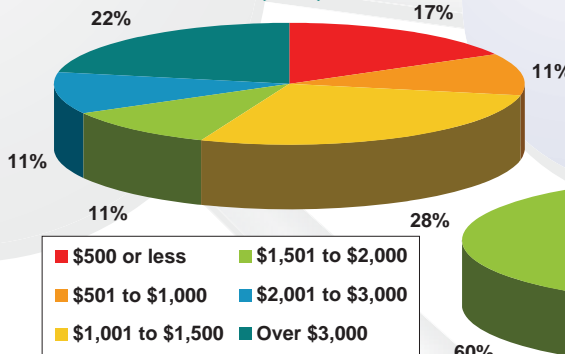
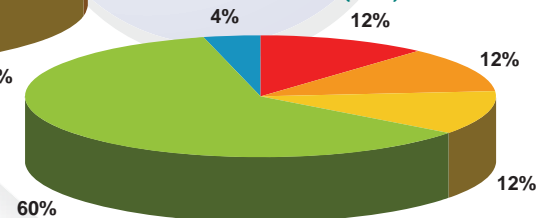


FIGURE 1.2: METRO RESIDENTIAL SEWER ACCESS CHARGE (SAC) RANGES



NON-METRO SYSTEM STATISTICS (communities 5,000 and greater)

Although WAC and SAC are still the most common SDCs for non-metro systems, far fewer communities have implemented the charges. The percentages of large non-metro communities reporting implementation of WAC and SAC are 41 percent and 39 percent, respectively.

Ranges of WAC and SAC for large non-metro communities are provided in Figures 1.3 and 1.4.

FIGURE 1.3: NON-METRO RESIDENTIAL WATER ACCESS CHARGE (WAC) RANGES

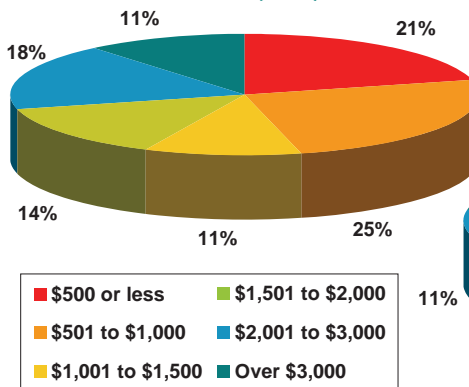
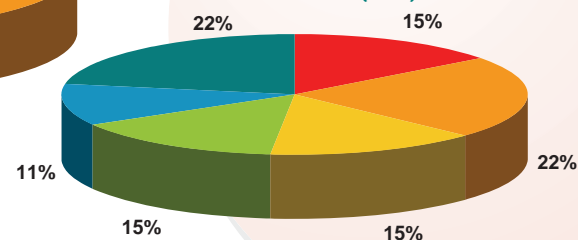


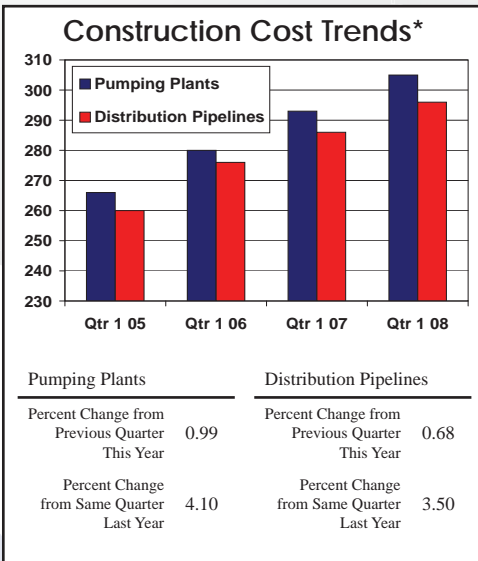
FIGURE 1.4: NON-METRO RESIDENTIAL SEWER ACCESS CHARGE (SAC) RANGES



(continued on back)

Thank You!

A E2S would like to extend our heartfelt thanks to all communities who contributed to the North Central Utility Rate Surveys. The survey would not be possible without your gracious participation. We appreciate the opportunity to provide this service to you each year. ■



*Based on information from the Bureau of Reclamation

(System Development Charges continued from first page)

SMALL SYSTEM STATISTICS (communities less than 5,000)

Even with the smaller communities, WAC and SAC continue to be the most popular SDCs in the North Central Region. However, the percentage of communities with WAC and SAC is even lower with the small systems. Only 30 and 31 percent of communities reported having WAC and SAC, respectively. Ranges of WAC and SAC for small communities are provided in Figures 1.5 and 1.6.

FIGURE 1.5: RESIDENTIAL WATER ACCESS CHARGE (WAC) RANGES

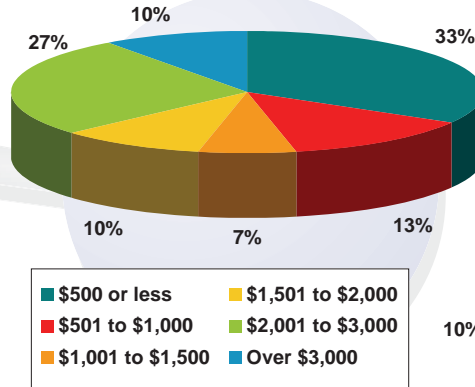
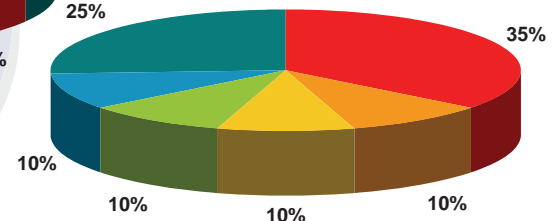


FIGURE 1.6: RESIDENTIAL SEWER ACCESS CHARGE (SAC) RANGES



The results of the 2008 North Central Utility Rate Survey are consistent with nationwide statistics. SDCs are more frequently used as a source of capital financing in metro areas, larger urban areas, and in high-growth locations. SDCs are also more commonly applied in areas of scarce water supply.

As municipalities throughout the region continue to face the challenge of providing for the capital cost of expanding water and wastewater system infrastructure, the implementation of SDCs is likely to become an increasingly common practice. By assigning the capital costs of system expansion to new development, municipalities can ensure that "growth pays for growth". ■

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