

The Source

UTILITY ENTERPRISE MANAGEMENT

A publication of Advanced Engineering and Environmental Services, Inc.

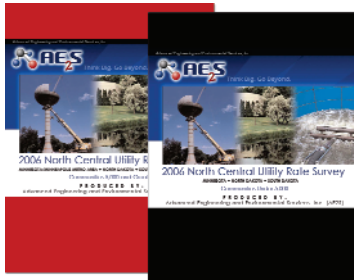


3rd Quarter 2006

Annual Regional Utility Rate Survey Completed

The 2006 AE2S Annual North Central Region Utility Rate Survey includes a summary of water, wastewater, storm water, and solid waste utility rates, also noting the type of systems such as surface water or ground water systems and mechanical or non-mechanical wastewater systems. Two surveys were conducted this year. One featured communities serving 5,000 people or less throughout North Dakota, Minnesota (including metro area), and South Dakota. The other featured communities serving greater than 5,000 people in the same region and Montana.

The data from the surveys is compiled and presented to participants in a short booklet format. In the past, participants have found that the survey report is 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 email Sheryl.Smith@ae2s.com.

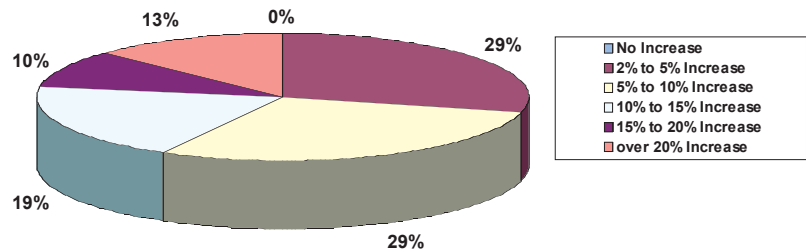
Cost increases for water and wastewater utilities are a reality. In response to those increasing costs, about half of participants in the AE2S 2006 Regional Utility Rate Survey indicated that they anticipate rate increases over the next five years. The other half of survey participants did not complete this portion of the survey.

Projected Water Utility Rate Increases

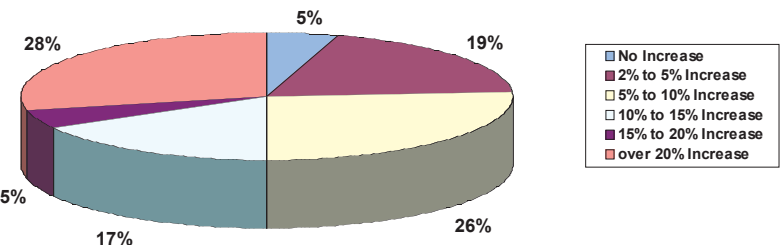
Of responding communities indicating an increase in water utility rates over the next five years, nearly two thirds of the communities with populations under 5,000 project a total water rate increase of two to 10 percent, as shown in the charts below. Of the remaining third, more than half expect a rate increase of more than 15 percent. For communities with populations over 5,000, about half indicate an expected total water utility rate increase of two to 10 percent over the next five years. Over a third of communities with populations over 5,000 indicate an expected total water utility rate increase of more than 15 percent.

Survey Indicates Differences in Projected Regional Water and Wastewater Rates

Projected Water Rate Increase Over the Next Five Years (Communities Under 5,000 People)



Projected Water Rate Increase Over the Next Five Years (Communities 5,000 People and Greater, Including Mpls Metro)



Projected Wastewater Utility Rate Increases

Of those responding communities indicating a wastewater utility rate increase over the next five years, nearly two thirds of the communities with populations under 5,000 project a wastewater rate increase of two to 10 percent, as shown in the charts to the right. Of the remaining third, more than half expected a rate increase of more than 15 percent. This is the same relationship projected for water rate increases for communities with populations under 5,000. For participating communities with populations over 5,000, about half indicate an expected wastewater water utility rate increase of two to 10 percent over the

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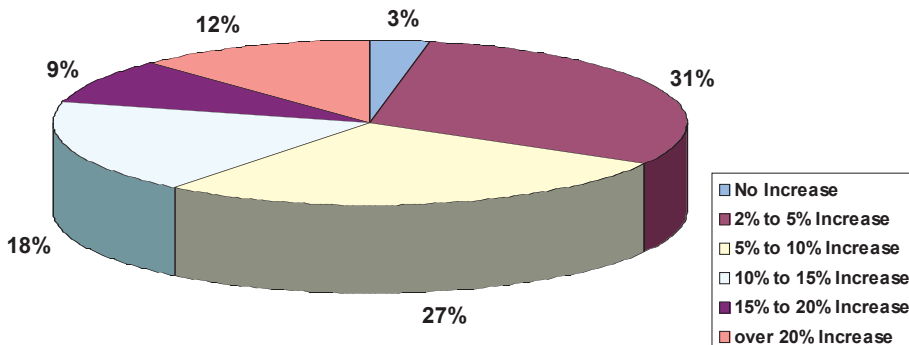
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next five years. Nearly a quarter of communities with populations over 5,000 project wastewater rate increases of more than 15 percent.

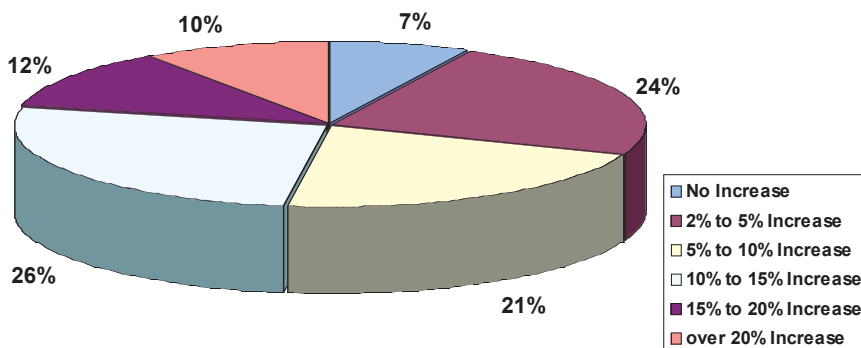
The Survey of Professional Economic Forecasters Second Quarter 2006 report indicates forecasters peg the Consumer Price Index (CPI) inflation rate at 2.50 percent on an annual basis over the next five years. This translates to a 13.1 percent compounded increase over the next five years. Projected increases from the survey vary, but it was noted that less than half of the communities expecting an increase are anticipating a rate increase that will keep pace with the projected rate of inflation during the same timeframe. It appears that factors exist that will allow utilities to control cost increases or unexpected rate increases will materialize over the next five years.

In general, water and wastewater managers who responded to the survey are expecting healthy increases in their water and wastewater rates over the next five years. In light of this anticipated trend, AE2S is committed to continuing to track this development as part of its annual survey. Utility managers are also encouraged to monitor this trend and to use the rate survey as a tool in their planning efforts. ■

Projected Wastewater Rate Increase Over the Next 5 Years (Communities Under 5,000 People)



Projected Wastewater Rate Increase Over the Next Five Years (Communities 5,000 People and Greater, Including MPLS Metro)



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