

The Source

UTILITY ENTERPRISE MANAGEMENT

A publication of Advanced Engineering and Environmental Services, Inc.



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North Central Region Utility Rate Survey Underway

The AE2S annual North Central Region Utility Rate Survey is currently underway. AE2S conducts a yearly survey of regional water, wastewater, and storm water utility rates.

Communities surveyed include primarily those serving greater than 5,000 people throughout North Dakota, Minnesota, south-central and eastern South Dakota, and eastern Montana.

Past participants have found that the survey report is an invaluable tool for utility and city managers to use when discussing rates with government decision makers and rate payers. All survey participants receive complimentary copies.

To participate in the survey, you may either call 701-746-8087 or email Sheryl Smith at Sheryl.Smith@ae2s.com for a copy of the survey form or go to our website at www.ae2s.com/knowledge-center/utilityratesurvey.pdf and print out the survey form. You may fax your completed form to Sheryl Smith at 701-746-0370.

The information will be collected and processed in the next two months. The completed survey report will be out in April 2004.

Don't miss out - send your rate information today. ■

Utilities face the continual challenge of trying to keep up with the demands placed on their system, while keeping the rates affordable for all classes of customers. Without a plan in place, managers can find themselves responding to a current infrastructure need or operational challenge without giving proper consideration to its impact on the long-term operation of the facility. Often utilities will keep maintenance and improvements to a minimum in order

to keep rates as low as possible.

Unfortunately, these scenarios tend to result in higher costs over the long-term.

A more effective strategy is to pursue strategic planning for capital improvements and to

meet financial requirements. The strategic plan outlines utility management goals and objectives for the short-term and the long-term. It serves as a document to communicate the current state of the utility and the vision for the future. It includes a description of the action plans management has for accomplishing its goals and objectives along with projected measurable outcomes expected by management.

As a management tool, the strategic plan provides a guide for utility management for all operations and capital improvements. It takes into account projected community growth, rehabilitation and replacement needs, and available sources of funding. Strategic planning greatly improves a utility's ability to anticipate future problems and to be prepared to deal effectively with them. Another benefit of the strategic plan is that it helps utility management communicate goals and objectives to other constituencies.

The strategic plan helps government decision makers, regulatory agencies, and rating agencies obtain a clearer understanding of proposed capital improvements and how they support overall utility objectives. It also provides useful benchmarks for performance that can be monitored to see if management is effective in its planning and decision making.

The utility's strategic plan assists with the development of the utility's master plan and capital improvements plan (CIP). The CIP provides forecast evaluations, studies, facilities plans, and costs for a multiyear period - usually 5 to 10 years. It is up to the utility to determine what planning period best suits their needs. The CIP often ties to a master plan that is of a longer duration of 20 years or more.

A sound CIP will consider all aspects of planning, including community priorities and the impact on operating to meet those priorities. The multiyear CIP should be reviewed and revised annually. Each project should have a description, supporting timeline, priority assignment, cost estimate, and anticipated financing source when available.

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If you have any questions concerning the contents of this newsletter, please contact Sheryl Smith at 701.746.8087 or Sheryl.Smith@ae2s.com

Minnesota PFA Deadline

I The Minnesota Public Facilities Authority (PFA) is accepting Drinking Water Revolving Fund (DWRf) loan applications until March 17, 2004 from eligible municipalities listed on the PFA 2004 Intended Use Plan (IUP). To be eligible for loans under the DWRf, municipalities must be on the Minnesota Department of Health's Project Priority List which then places projects on the IUP.

DWRf informational meetings will be held from 9:00 am until noon on February 24th in Baxter, MN at the MNDOT office located at 1991 Industrial Park Road in Baxter, MN and on March 10th in Maple Grove, MN at the Maple Grove Government Center located at 12800 Arbor Lake Parkway North in Maple Grove, MN. For more information about the IUP process, contact Jeff Freeman of the PFA at 651-296-2838 or visit www.health.state.mn.us/divs/eh/water/dwrf. ■

Strategic Planning for Capital and Financial Requirements (Continued)

To assist with implementation of the CIP, a utility should also develop a financial plan that outlines where the funding will come from to construct, operate, and maintain the system after improvement. The goal is to provide overall integration of financial planning, revenue requirements planning, and rate setting analysis.

Development of a financial plan involves several steps including: 1) determining the utility's financial condition, 2) identifying capital financing alternatives, 3) estimating annual capital and operating expenses over the planning timeframe, 4) calculating revenue requirements, and 5) evaluating the rate impact on customers.

The financial plan, like the capital improvements plan, is a working document that needs to be reevaluated annually. Circumstances change as well as funding sources available, and it is important to assess the validity of the assumptions on an on-going basis.

Strategic planning for capital and financial requirements can seem like a daunting task, but once established, the process creates documents that provide on-going support for utility management planning and operations decision making. They provide documentation for management to use when approaching government decision makers and funding agencies. Perhaps most importantly, however, is that they provide a tool for ensuring that customers' interests are being served through a well-maintained and well-operated utility system that has sufficient funding to meet its needs. ■

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