

## PUD's Capital Improvements Plan, 2017-2021

In 2014, the PUD had community meetings in Thurston, Lewis and Pierce counties to engage our customers in a discussion on how to best prepare for and fund capital improvements necessary in the coming years. After receiving public input, the PUD Board of Commissioners made a decision to pay for ongoing operations and maintenance costs from rates and to pay for capital improvements and replacements from capital surcharges. The water system infrastructure is unique to each water system of the PUD's water systems, but generally, infrastructure refers to the wells, pumps, water mains, pump houses, booster pumps, service lines, water meters, reservoirs, treatment systems, electrical systems, and other associated equipment.

Capital surcharges are used to fund system replacement at the end of an asset's life cycle. We developed and use an integrated asset management system to estimate when things need to be replaced. A capital surcharge of \$1.00 per month per home, or per equivalent residential unit (ERU) for other facilities, was implemented beginning January 1, 2015. In 2017, this surcharge increased to \$4.80, and it is projected to increase to \$6.70 on January 1, 2018. The PUD made a commitment to our customers that we will be good shepherds of these monies you pay as surcharges and only use them for infrastructure replacement. The projected capital surcharges per month, for the next few years, are listed below. They are reviewed annually.

### Year   Estimated Capital Surcharge

|      |        |
|------|--------|
| 2017 | \$4.80 |
| 2018 | \$6.70 |
| 2019 | \$8.60 |

Our capital improvement plan (CIP) spending is funded by surcharges and other funding, based on the replacement schedule in the asset management plan (AMP), for the next five years, as outlined below. We will develop and integrate former H&R water systems into the AMP by January 2019 and create an AMP for every water system. The capital surcharge account has [\\$292,187.74](#) in it, as of August 17, 2017, and we expect to begin using these monies in 2017. We appreciate the opportunity to serve you. The PUD will continue to seek grants and low interest loans to pay for infrastructure replacements in the future and bond where it is and advantage. Don't hesitate to contact us if you have questions.

### Projected Capital Improvement Plan Costs – Estimated Using the Asset Management Plan

| Item No.   | Total Estimated Costs Per Year |                     |                     |                     |                     |
|--|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2017                           | 2018                | 2019                | 2020                | 2021                |
| CI-41 Valves   | \$20,000.00                    | \$50,000.00         | \$0.00              | \$0.00              | \$0.00              |
| CI-44 Pump Houses  | \$100,000.00                   | \$121,000.00        | \$0.00              | \$58,000.00         | \$26,000.00         |
| CI-62 Treatment  | \$56,300.00                    | \$100,000.00        | \$87,950.00         | \$16,560.00         | \$20,850.00         |
| CI-65 Pressure Tanks                                       | \$41,200.00                    | \$92,000.00         | \$42,900.00         | \$52,440.00         | \$60,180.00         |
| CI-66 Miscellaneous  | \$120,000.00                   | \$50,000.00         | \$50,000.00         | \$50,000.00         | \$50,000.00         |
| CI-68 Well Drilling  | \$204,725.00                   | \$0.00              | \$0.00              | \$0.00              | \$0.00              |
| CI-71 Electrical   | \$32,300.00                    | \$100,000.00        | \$17,700.00         | \$11,100.00         | \$15,200.00         |
| CI-75 Meters Total   | \$39,300.00                    | \$80,000.00         | \$32,300.00         | \$23,200.00         | \$25,550.00         |
| CI-76 Pumps  | \$144,300.00                   | \$150,000.00        | \$122,400.00        | \$129,400.00        | \$120,800.00        |
| <b>Total Estimated CIP Costs Per Asset Management Plan</b> | <b>\$758,125.00</b>            | <b>\$743,000.00</b> | <b>\$353,250.00</b> | <b>\$340,700.00</b> | <b>\$318,580.00</b> |
| 15% Contingency  | \$113,719.00                   | \$111,450.00        | \$52,987.50         | \$51,105.00         | \$47,787.00         |
| Administrative Cost of All Projects                        | \$35,500.00                    | \$25,776.00         | \$26,807.00         | \$27,879.00         | \$28,945.00         |
| <b>Total Cost Estimates</b>                                | <b>\$907,344.00</b>            | <b>\$880,226.00</b> | <b>\$443,044.50</b> | <b>\$419,684.00</b> | <b>\$395,361.00</b> |