

Holmberg Village Water Company, LLC.

P.O. Box 7646

Helena, MT 59601

TO: Holmberg Village water customers

RE: Schedule of rates and charges

Holmberg Village Water Company, LLC, is pleased to announce that as of April 20, 2016, it is the owner of the water utility at Holmberg Village Estates. You have received several notices prior to the closing regarding new rates being adopted by the system, but due to updated and expanded information, please make sure you read this notice in its entirety.

As a water customer of Holmberg Village Water Company, Inc. (HVWC), your current rate for water service is \$30 per month. In October of 2013, the Montana Public Service Commission (PSC) adopted rules to provide reasonable and just rates for the provision of water services in small communities like Holmberg Village. See the rule here: <http://www.mtrules.org/gateway/RuleNo.asp?RN=38.5.2528>. The Standard Rate Tariff established by the PSC (SRT) establish for metered connections is \$40 per connection per month, plus a usage rate of \$2.00 per 1,000 gallons for customer usage in excess of 10,000 gallons.

The Standard Rate Tariff was adopted to provide an affordable way for small water systems to gain PSC rate compliance. Prior to the adoption of the SRT, small utilities could not reasonably afford or understand the complex full rate hearing process the PSC required of them. Therefore, many systems across Montana remained in a state of not having rates approved by the PSC in the manner required of them. The SRT seeks to provide a way for small systems to come into compliance with the PSC.

During the hearings adopting the SRT, Integrated Water, Inc. (the owner of HVWC), participated in the hearings giving rise to the final rules. Debra Wolfe, one of the owners of Integrated Water, Inc. (IW), who worked for many years as a rule writer for the Department of Environmental Quality (DEQ), submitted comments during the process. After adoption of the Standard Rate Tariff, IW owned a system that was one of the first entities to adopt the Standard Rate Tariff and we were extremely pleased with the process. During that process, there were objections to adoption of the Standard Rate Tariff which we addressed at the PSC during a meeting with residents. (We will be asking the PSC to host another such meeting during this process of adopting the SRT at Holmberg.)

The Standard Rate Tariff begins by stating: "A small water or sewer utility may establish its rates by adopting the commission's standard rates for small water or sewer utilities or by adopting its own rates if they are lower than the applicable standard rates." The rate we're establishing with the PSC is lower than the Standard Rate Tariff, until January 1<sup>st</sup>, of 2018. We favor adopting this gradual stepwise to the SRT to address rate shock as we build to the necessary PSC-established SRT.

We are aware that some residents strongly object to the SRT provided to small systems by the PSC. Of course, this is due to the fact that a rate currently exists for the utility which is smaller than the SRT. However, based our knowledge of what it takes to properly maintain a water system in this region,

gained since our company's founding in this area in 1993, we must tell you that your current rate is not sustainable if you expect to have long-term access to quality water. As a system to be regulated by the SRT, we will be responsible to you and the PSC plan and provide for your system in a responsible manner; your current rate does not allow for that.

Importantly, we do not believe that the residents of Holmberg are aware that the SRT we're adopting for the system is on the very low end of rates charged by similar sized systems across Montana. To better understand this, it will be important to review the "Montana Statewide Water and Wastewater Rate Study" prepared by the Montana Community Assistance Corporation in 2014. This study can be downloaded from the DNRC by using your Google search engine and entering the title of the Study. A copy of the study can also be requested by calling 406-442-2949.

If you go to page 13 of the study, you'll find that the rates (as of 2014) for 164 water utilities serving populations less than 500 residents are listed there. If you analyze those rates, you'll discover that the SRT we're adopting is almost always less than the effective rates for similar water usage during irrigation season actually charged by similar systems across Montana. It is important to realize that these rates were adopted by these small utilities in Montana to assure that they would be able to fund the necessary expenses required to operate a water system such as providing for capital improvements and provision for necessary reserves for major replacements of water system components over time. If you take these rates as a guide, you'll be able to surmise that we don't have much room to adopt a rate less than the SRT if we are to be expected to maintain a responsible and quality water system. This is why we will be building up to the SRT.

Many of you are aware that the Holmberg village residents water usage far exceeds (by 45%) the amount allowed the system by the regulatory agencies. Based on preliminary data, it appears that residents are currently watering their lawns during irrigation months at a rate of 1.5" per week. Our data indicates that if the residents were to limit their lawn watering to about 1" per week that the system's water usage would come within the amount allowed by the system's water permit. We have a duty to encourage the residents to come within the amounts allowed by the water permit, hence the transition to metered rates.

Importantly, we have discovered information that states that only clay soil requires 1.5" of water per week to maintain green lawns. Sandy soil required .5" per week and loam soil requires 1". I believe if you inspect your soil you will find it is not clay and that it is more likely a mixture of sand and loam. Therefore, you will be able to maintain green lawns while still conserving usage to abide by the permit and this is only by conserving irrigation water, absent any water saving methods you might employ in your home.

When considering the rate increase, please understand that the increase will be mainly felt during the months residents are irrigating their lawns. During the remaining months, our data strongly indicates that all residents' water usage will be well under the 10,000 gallons applicable before metered rates begin to apply. With assistance from data from the developer of your neighborhood as to irrigable land square footage per lot, we are preparing a more detailed spreadsheet to give residents a better feel for watering rates for the usage we've been experiencing in past years along with the expected cost for rates to be experienced during watering season. This information will be posted on the new holmbergwater.com website as soon as the calculations are finalized.

As you are aware, meter installations are ongoing to enable our initiation of metered rates and the installers are making great progress completing this project; unfortunately, we have experienced instances of customers who are not amenable to meter installation. If you have not yet contacted us to schedule your meter installation, you are beyond the deadline for making this arrangement which we notified you of in our last communication. Therefore, if you have not scheduled your meter installation, please contact us to do so immediately. Now that Integrated Water, Inc. is the owner of the utility, we are presently preparing a list to contact the PSC and make appropriate arrangements to install a meter for customers who continue to refuse meter installation.

The monthly rates we are submitting to the PSC are as follows: After meters are installed (expected early summer 2016) to December 31, 2016: \$35 + \$1.00 per 1,000 gallons for customer usage in excess of 10,000 gallons; from January 1, 2017 to June 30, 2017: \$35 + \$1.50 per 1,000 gallons for customer usage in excess of 10,000 gallons; from July 1, 2017 to December 31, 2017: \$40 + \$1.50 per 1,000 gallons for customer usage in excess of 10,000 gallons. After January 1, 2018: \$40 + \$2.00 per 1,000 gallons for customer usage in excess of 10,000 gallons. Pending installation of meters, the unmetered rate will be \$35 per month. Further, before initiating billings for metered rates, we are submitting to the PSC that we will provide customers with one month of metered usage data (not billed at the metered rate) so that they can better plan for their first metered billing which will occur the following month.

Failing to pay your water bill is simply not fair to paying customers. Charges for past due accounts will apply and water turned off to customers who fail to pay or to make reasonable arrangements to pay past due accounts. For those who pay their bills and make arrangements when they are behind – thank you! You are not only making your own life better, but are ensuring you live in a well-maintained and enjoyable mountain community.

If you explore the website, please go to <http://www.holmbergwater.com/>. Within several weeks of this letter, we will have completed implementation of an online billing platform so you will be able to see your account, view water use graphs, and pay your bill. On the site you'll also be able to track your payment history, see system updates, and view important notices about the water utility. Of course, if you would like to speak to a person, call Linda at 442-2949 after 1:00 pm weekdays. We will be communicating your customer numbers and customer portal login information in the coming weeks.

If you have trouble with your water or notice anything amiss, please call on the service techs at Integrated Water, Inc. at 442-2949. If you'd like to contact the PSC, call 444-6199 or the Montana Consumer Counsel at 444-2771.