Eastsound Water Users Association is a service-oriented association whose goal is to utilize all available resources to insure that an adequate and consistent supply of safe and palatable water is provided to its members.
EASTSOUND WATER USERS ASSOCIATION

Dec 8th Membership Meeting
WHAT MEMBERS HAVE ASKED FOR

1. More Information on Guest House Upgrade Initiative
2. 6 month delay in Guest House Initiative
3. Explore Rate Structures more strongly linked to consumption
4. Annual Meeting of the Association
EWUA INTEREST IN G.H.

- Equitable application of policies to all members
- Complying with DOH regulations
- Timely completion of 2015 Water System Plan
AGENDA

Guest Houses

• Regulatory Environment/Policy
• GH Impact on Water System
• History Of GH.
• Current Upgrade Efforts
• Q&A
ERU system is DOH’s method of quantifying water system capacity.

An ERU is the average annual water use of a single family home. Each home represents 1.0 ERU.

Each ERU requires approx. 45,000 gal/yr. of water production capacity be developed & maintained.

In the 2009 Water System Plan DOH approved EWUA for 1341 ERUs
STATE DOH POSITION ON GUEST HOUSES

• “Guest Houses are considered to be a full ERU relative to the water system’s connection limit unless the water system justifies a reduced capacity allotment for the second residential structure. Specifically, a primary residential unit and a guest house on a single parcel are equal to two (2) ERU's or two connections on the water system for system capacity purposes. (DOH Letter 10/15/14)
STATE DOH POSITION ON GUEST HOUSES

EWUA has history of working with DOH to have the actual ERU’s required for Guest House minimized.

EWUA’s ERU system for monitoring capacity is required in the DOH Water System Design Manual since at least 1996.
EWUA DEFINITION OF GUEST HOUSE

- Guest house: A separate living unit that includes a bathroom and provisions for cooking and eating and will require a separate membership. This term also includes an apartment, trailer, mobile home, etc. It is irrelevant whether or not the guest house is provided to others for rent, lease, or other consideration. (Glossary of Terms pg. 4) (continuously from 2000-2014)
OTHER UTILITY POLICIES ON GUEST HOUSES

• Doe Bay, Rosario, Roche Harbor, 200+ San Juan County Group B water systems all require a property with 2 living units to have 2.0 ERU.

• Friday Harbor does not allow guest houses in single family home residential zoning.

• Eastsound Sewer requires a full 2\textsuperscript{nd} connection for 2\textsuperscript{nd} living units.
SUMMER 2014 GUEST HOUSE WATER USE

- Average Single Family Home: 12,517 gallons per quarter
- 1.5 ERU Membership with GH: 25,193 gallons per quarter
- 1.0 ERU Membership with GH: 20,376 gallons per quarter
EWUA FACTS

• EWUA has required upgraded membership on properties with 2\textsuperscript{nd} living units since 1980.

• EWUA policies regarding Guest House/2\textsuperscript{nd} living units are NOT NEW, little has changed since ERU system created in 2000.
EWUA FACTS 2

• EWUA’s Single Family membership agreement clearly precludes service to 2\textsuperscript{nd} Living Unit.

• Prior to 2014 EWUA had 2 dozen documented/upgraded memberships for 2\textsuperscript{nd} Living Units, paying for the additional capacity required.
PAST GUEST HOUSE COMPLIANCE EFFORTS

- Required in Membership Sales Process
- Membership Agreements
- Certificate of Water Availability
- Members contacted when GH. Found
- Monitor Real Estate Adds
- On Site Inspections prior to sale
GUEST HOUSE UPGRADE INITIATIVE

- 9/14 – Initial Letter Sent
- 10/14 – Email to Membership responding to social media comments
- 11/14 – Follow Up Letter Sent to likely GH owners.
- 12/14 – Membership Meeting
- 12/31/14 – 50% Discount Offer Expires
GUEST HOUSE UPGRADE INITIATIVE PROCESS

- 1/15 – Board Reviews Upgrade Applications
- 2/15 – Members noticed of Application Decision
- 3/15 – New Membership Agreements Sent
- 5/15 – Agreements and Initial Payment Due
- 5/20/15 – Upgrades Applied to members billing
• Grandfathering – if member purchased membership prior to 1980 and developed both living units prior to 1980.

• EWUA will provide upgrade at no cost to member who has GH but no signed membership agreement.
UNDOCUMENTED GUEST HOUSE OPTIONS

- Member can alter property so that it does not meet the definition of a Guest House.
- Member can upgrade prior to Dec 31st at 50% discount ($3,000 for 0.5 ERU)
UNDOCUMENTED GUEST HOUSE OPTIONS

• Payment plan option has been created. $1500, $800, $800

• Alternative plans can be negotiated.
EWUA’s policies on G.H. are NOT NEW

EWUA’s approach is MORE FAVORABLE to Guest House Owners than most other system

EWUA’s current efforts are SUPPORTED in BYLAWS.

EWUA’s application of the policies and timeline is REASONABLE.
GUEST HOUSE QUESTIONS
Rate Structure Planning
AGENDA

Exploring Rate Structure Options

- How EWUA Finances are Organized
- Current Rate Structure
- Budgetary Impacts of Water Use Patterns
- 3 Different Rate Structures Compared
- Exploring Impact of “Tiered” Rate Structure
- Q&A
• Generate Predictable Revenue
• Provide Cost Effective Service
• Recoup 100% of Operating Cost
• Equitable distribution of Cost amongst members
• Discourage irresponsible water use
Monthly Cost IF no surplus water fees existed. $62/mo.
Residential Rates – EWUA, Friday Harbor & Seattle

**EWUA v Friday Harbor v Seattle Water Rates**

- **Bill for 3,500 gal/mo**
  - EWUA: $45.00
  - Friday Harbor: $66.50
  - Seattle: $43.00

![Graph showing the comparison of water rates for EWUA, Friday Harbor, and Seattle.](chart)
Consumption Charges

Gallons Per Month

- Seattle
- Friday Harbor
- EWUA

Consumption Charges:
- $25.00
- $20.00
- $15.00
- $10.00
- $5.00
- $-
Conservation Success

<table>
<thead>
<tr>
<th>Year</th>
<th>Gal/Yr/ERU</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2002</td>
<td>85,086</td>
</tr>
<tr>
<td>2011-2013</td>
<td>50,990</td>
</tr>
</tbody>
</table>
EWUA Annual Production Totals EXCEL

[Line chart showing the trend of Active ERUs and Annual Production in Million Gallons from 2000 to 2009]
<table>
<thead>
<tr>
<th></th>
<th>Nov-13</th>
<th>Feb-14</th>
<th>May-14</th>
<th>Aug-14</th>
<th>Annual Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Residential Members under base 15,000 gal/quarter</td>
<td>81%</td>
<td>88%</td>
<td>89%</td>
<td>68%</td>
<td>82%</td>
</tr>
</tbody>
</table>

**Conclusion:** Most members pay base rate only
Fixed vs Variable Costs

Fixed Cost 88%
Variable Costs 12%

Fixed Revenue and Variable Revenue

Base Rate Revenue 72%
Surplus + Late Fees 28%

EWUA 2012 Budget Study
Year-Round Water users vs. Other

- 477 Year-Round Users
- 143 Inactive Users
- 238 Part-Time Users

Residential ERU's
### 3 Options for Rate Structures

<table>
<thead>
<tr>
<th>Fixed Rate Model</th>
<th>Existing Rate Structure</th>
<th>3 Tier Rate Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Rate</strong></td>
<td><strong>Base Rate</strong></td>
<td><strong>Base Rate</strong></td>
</tr>
<tr>
<td>$62.50 per ERU per MO</td>
<td>5000 gal/mo included $45 per ERU per MO</td>
<td>0-2000 gal/mo $38 per ERU per MO.</td>
</tr>
<tr>
<td><strong>Use Fee</strong></td>
<td><strong>Use Fee</strong></td>
<td><strong>Tier #1</strong></td>
</tr>
<tr>
<td>NONE</td>
<td>$20 per 1000 gal.</td>
<td>2000-5000 gal/mo $7 per 1000 gal</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Tier #2</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5000-8000 gal/mo $13 per 1000 gal</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Tier #3</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>OVER 8000 gal/mo $24 per 1000 gal</td>
</tr>
</tbody>
</table>

* applies to use +5,000 gal/mo.
## Rate Structures Compared

<table>
<thead>
<tr>
<th>Volume (gal/mo)</th>
<th>Flat Fee Rate Structure</th>
<th>Existing Single Tier Rate Structure</th>
<th>Proposed 4 Tier System</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$62.50</td>
<td>$38.00</td>
<td>$34.00</td>
</tr>
<tr>
<td>1000</td>
<td>$62.50</td>
<td>$45.00</td>
<td>$38.00</td>
</tr>
<tr>
<td>2000</td>
<td>$62.50</td>
<td>$45.00</td>
<td>$38.00</td>
</tr>
<tr>
<td>3000</td>
<td>$62.50</td>
<td>$45.00</td>
<td>$45.00</td>
</tr>
<tr>
<td>4000</td>
<td>$62.50</td>
<td>$45.00</td>
<td>$52.00</td>
</tr>
<tr>
<td>5000</td>
<td>$62.50</td>
<td>$45.00</td>
<td>$59.00</td>
</tr>
<tr>
<td>6000</td>
<td>$62.50</td>
<td>$65.00</td>
<td>$72.00</td>
</tr>
<tr>
<td>7000</td>
<td>$62.50</td>
<td>$85.00</td>
<td>$96.00</td>
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<tr>
<td>8000</td>
<td>$62.50</td>
<td>$105.00</td>
<td>$120.00</td>
</tr>
<tr>
<td>9000</td>
<td>$62.50</td>
<td>$125.00</td>
<td>$144.00</td>
</tr>
<tr>
<td>10000</td>
<td>$62.50</td>
<td>$145.00</td>
<td>$168.00</td>
</tr>
<tr>
<td>11000</td>
<td>$62.50</td>
<td>$165.00</td>
<td>$192.00</td>
</tr>
</tbody>
</table>
Potential Rate Structures Charted

- Flat Fee Rate Structure
- Existing Rate Structure
- Proposed 4 Tier System

Gal per Month

$- $25.00 $50.00 $75.00 $100.00 $125.00 $150.00 $175.00 $200.00

0 1000 2000 3000 4000 5000 6000 7000 8000 9000 10000 11000
## Rate PROPOSAL Impact Study

<table>
<thead>
<tr>
<th>Volume (gal/mo)</th>
<th>Existing Rate Structure</th>
<th>Proposed 4 Tier System</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$ 38.00</td>
<td>$34.00</td>
<td>-11%</td>
</tr>
<tr>
<td>1000</td>
<td>$ 45.00</td>
<td>$38.00</td>
<td>-16%</td>
</tr>
<tr>
<td>2000</td>
<td>$ 45.00</td>
<td>$38.00</td>
<td>-16%</td>
</tr>
<tr>
<td>3000</td>
<td>$ 45.00</td>
<td>$45.00</td>
<td>0%</td>
</tr>
<tr>
<td>4000</td>
<td>$ 45.00</td>
<td>$52.00</td>
<td>16%</td>
</tr>
<tr>
<td>5000</td>
<td>$ 45.00</td>
<td>$59.00</td>
<td>31%</td>
</tr>
<tr>
<td>6000</td>
<td>$ 65.00</td>
<td>$72.00</td>
<td>11%</td>
</tr>
<tr>
<td>7000</td>
<td>$ 85.00</td>
<td>$96.00</td>
<td>13%</td>
</tr>
<tr>
<td>8000</td>
<td>$105.00</td>
<td>$120.00</td>
<td>14%</td>
</tr>
<tr>
<td>9000</td>
<td>$125.00</td>
<td>$144.00</td>
<td>15%</td>
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<tr>
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<td>$168.00</td>
<td>16%</td>
</tr>
<tr>
<td>11000</td>
<td>$165.00</td>
<td>$192.00</td>
<td>16%</td>
</tr>
</tbody>
</table>
## Impact on Tiered Rates

<table>
<thead>
<tr>
<th></th>
<th>Annual Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Rate Structure</strong></td>
<td>18%</td>
</tr>
<tr>
<td><strong>Tiered Rate Structure</strong></td>
<td>42%</td>
</tr>
</tbody>
</table>

% of Residential Members Paying More than $45/mo
Rate Structure Summary

- **Current Rate Structure** provides stable, predictable revenue stream.
- **Current Rate Structure** has stimulated substantive conservation from highest water users.
- **Current Rate Structure** distributes cost of service amongst membership reasonably equitably.
Rate Structure Summary

- New Billing Software will support the tiered rate structure.
- Board willing to consider alternative rate structures, and requests your feedback.
- Most Beneficial change to rate structure would be a PEAK SEASON surcharge.
Rate Structure Questions
2015 Annual Meeting

- Meeting being Planned for April
- Board vacancies current exist
- All Board positions will be open for election
Available Hand Outs

- Bylaws
- History Bylaws pertaining to Guest Houses
- Current Rate Schedule
- Alternative Rate Structure
- Guest House Upgrade Request Form
- PK Business Cards
GUEST HOUSE UPGRADE APPLICANT
WATER USES STUDY

Average Single Family Home 13,336 gal.
Average of Accounts reporting Guest Houses 20,376 gal.

EWUA Undocumented Guest House Account Water Use Study, Summer 2014
WATER USE STUDY, ZONE A
SUMMER 2014 BILLING PERIOD

Membership with Guest Houses
Average Single Family Home
Rate Structure

Commercial Account Water Use

Gallons per Month

jan  feb  mar  apr  may  jun  jul  aug  sep  oct  nov  dec
1. The applicant must own the above described property and it must be within the EWUA service area.

2. Acceptance of a membership application requires action by the Board of Directors at a regular meeting or by such person(s) as they may designate.

3. Costs associated with memberships include membership fees, sub-area improvement fees, developer reimbursement fees, hook-up fees, transfer fees, water consumption charges and other fees related to the provision of water to a member's lot.

4. Membership and the use of water in the EWUA are conditional upon the availability of water supply. It is further conditional upon the terms of the Bylaws, Conditions of Service Governing the Use and Supply of Water, Design and Construction Standards, EWUA policies and procedures, the laws and regulations of San Juan County and the State of Washington that exist and as may be amended in the future. EWUA will take actions to correct the failure to comply with these conditions that may include restrictions on service, termination of service and/or revocation of membership.
14. If designated "Single Family" use, one single-family residence with no accessory dwelling unit is allowed. If use is designated "Non-residential" use, use is authorized subject to pending ERC policy. Memberships sold are to be assigned to a specific Tax Parcel Number. The number of ERUs that can be sold are limited to the current use and density allowed by the zoning on that tax parcel. If a member's plans for their tax parcel change, they have the following options:
   - Consult with EWUA regarding the change to determine if the membership and ERU weight is consistent with the change.
   - Sell back excess membership(s)/ERU(s) to EWUA at a 10% discount.
   - Buy more membership(s)/ERU(s), if available.

15. Tax Parcel Number (TPN) to Tax Parcel Number exchanges.
   Membership transfers from the identified TPN to another TPN are subject to EWUA's policies on transfers. A TPN to TPN membership exchange will be treated as occurring in two separate steps. The original membership will be voided and appropriate membership and sub-area fees must be returned. The Association will treat the original membership as if it never existed. A new membership will be created subject to all fees and conditions applicable to any new membership sold at that time.

16. Inactive or unconnected memberships are assessed a monthly fee.

Special Terms and Conditions

Membership is for one (1) living unit only. Owner agrees to conform to any applicable requirement of EWUA’s Cross Connection Control program. Presence of well or well water on the property will require future backflow prevention mitigation to be provided by owner. Meter will be set at a location determined by EWUA. The member is urged to install high-quality, leak-resistant service piping for the service line.
Residential Rates For EWUA and Friday Harbor

EWUA - Friday Harbor SFH Water Rates

<table>
<thead>
<tr>
<th>Gal/Mo</th>
<th>$38.00</th>
<th>$45.00</th>
<th>$45.00</th>
<th>$45.00</th>
<th>$45.00</th>
<th>$45.00</th>
<th>$45.00</th>
<th>$66.50</th>
<th>$125.00</th>
<th>$145.00</th>
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</thead>
<tbody>
<tr>
<td>EWUA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Friday Harbor</td>
<td>$42.00</td>
<td>$49.00</td>
<td>$56.00</td>
<td>$63.00</td>
<td>$73.50</td>
<td>$82.25</td>
<td>$91.00</td>
<td>$99.75</td>
<td>$111.4</td>
<td>$123.0</td>
</tr>
</tbody>
</table>
Currently an INACTIVE member pays $456/yr to support the water system.

<table>
<thead>
<tr>
<th></th>
<th>ACTIVE</th>
<th>INACTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Base Rates</td>
<td>$45/mo</td>
<td>$38/mo</td>
</tr>
<tr>
<td>Reduced Base</td>
<td>$40/mo</td>
<td>$33/mo</td>
</tr>
<tr>
<td>(if same active/inactive ratio applied)</td>
<td>$40.75</td>
<td></td>
</tr>
<tr>
<td># ERU's</td>
<td>1165</td>
<td>170</td>
</tr>
<tr>
<td>Revenue Reduction</td>
<td></td>
<td>$10,000/yr.</td>
</tr>
</tbody>
</table>

Active Account Increase to compensate for reduced Inactive Revenue $0.75/mo
Currently an INACTIVE member pays $456/yr to support the water system.

<table>
<thead>
<tr>
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<th>INACTIVE</th>
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<tbody>
<tr>
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</tr>
</tbody>
</table>

(if same active/inactive ratio applied)

<table>
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<tr>
<th># ERU's</th>
<th>1165</th>
<th>170</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Reduction</td>
<td>$10,000/yr.</td>
<td></td>
</tr>
</tbody>
</table>

Active Account Increase to compensate for reduced Inactive Revenue $0.75/mo
Residential Account Water User by Quarter

- Nov-13
- Feb-14
- May-14
- Aug-14

GAL/QUARTER

RESIDENTAL ACCOUNTS
Fixed Revenue and Variable Revenue

- Surplus + Late Fees: 28%
- Base Rate Revenue: 72%

EWUA 2012
Budget Study
Fixed vs Variable Costs

EWUA 2012 Budget Study

Fixed Cost 88%
Variable Costs 12%
Seasonal Residential demand study

Total Zone A water use by quarter

- Nov 13
- Feb 14
- May 14
- Aug 14
UNDOCUMENTED GUEST HOUSE OPTIONS

• Member can upgrade after Dec 31st at normal rate ($6,000 for 0.5 ERU)

• Bylaws allow EWUA to shut off members who do not respond to notice.
GUEST HOUSE DISCOUNT UPGRADE PROCESS

- Dec 31, 2014 is end of Discount Offer
- Jan Board Meeting Board consider applications for membership upgrade.
- Member noticed of Board Decision in early Feb.
- EWUA provides upgraded membership paperwork in early March.
- Member has 60 days to complete agreement and make initial payment.
- Membership upgraded and Fees and Surplus Water applies to water use after May 20.
WHAT TONIGHT’S MEETING IS NOT

• Open forum to discuss issues associated with an individual membership.

• Policy brainstorming session.

• Seeking consensus.
“Accessory dwelling unit (ADU)” means a living area that is accessory to the principal residence, located on the same lot, and provides for sleeping quarters, kitchen, and sanitation facilities. An ADU may be internal, attached or detached.
S. J. COUNTY KITCHEN DEFINITION

• “Kitchen” means a room used for cooking or preparing food

(Ord. 26-2012 § 10; Ord. 2-1998 Exh. B § 2.3)
HOW DOES SIZE OF HOUSE IMPACT WATER USE?

Water Use/Home (gal/year)

- Bonnie Brae: 30,458
- Wild Rose Meadow: 31,500
- Average of 716 Homes: 34,600
GUEST HOUSE POLICY ENFORCEMENT

• Jan Board Meeting - Review list of possible, but undocumented, Guest Houses that have not responded to GH Upgrade Initiative.

• Early Feb - EWUA sends certified letter to possible undocumented Guest House owners requesting membership review. The Letter details reasons for EWUA's concern, and requests response within 10 day.

• Opportunity provided to address Board at Feb 17 meeting.
GUEST HOUSE POLICY FOLLOW UP

- Owners responding to 2/1/15 letter asked to demonstrate that no 2nd living unit exists, or given application for upgrade with due date of March 10th.

- Those not responding to 2/1/15 letter are sent a notice of planned shut off action on 2/20/15. Notice provides chance to address Board at 2/17/15 meeting.
EWUA Service Classes

- Commercial Accounts: 147
- Residential Accounts: 841
- Multi Unit Accounts: 57
SERVICE CLASS EQUITY

Non Residential  Residential

$  Gal  $  Gal
## Impact on Tiered Rates

<table>
<thead>
<tr>
<th></th>
<th>Nov-13</th>
<th>Feb-14</th>
<th>May-14</th>
<th>Aug-14</th>
<th>Annual Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Residential Members Paying More than $45/mo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Rate Structure</strong></td>
<td>19%</td>
<td>12%</td>
<td>11%</td>
<td>32%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Tiered Rate Structure</strong></td>
<td>43%</td>
<td>34%</td>
<td>36%</td>
<td>44%</td>
<td>42%</td>
</tr>
</tbody>
</table>
Operating Budget

Funded by
Monthly Water Use Service Fees
$950,000
Supports
• Daily Operations
• System Maintenance
• Staff Payroll
• Vehicles
• Office
• Consumables

Capital Reserves

Funded by
Membership Sales
$400,000
Supports
• Development of System Capacity
• Water System Improvements