



300 West 4th Street
Craig, CO 81625

October 12, 2018

Dear Water Customers:

Apologies for our delay in responding to comments related to the Article in the Craig Daily Press on September 28th titled, "Council Reviews Water Rate Study". As many of you already know, the City is under a regulatory deadline to improve the Chlorine residuals in parts of our distribution system. In order to comply with this requirement, we are working to implement changes to our water treatment process and to the distribution and ground storage units before the CDPHE deadline of April of 2020. The total cost of these improvements beginning in 2019 is estimated to be \$5.2 million dollars and has been in planning and concept design for the past 18 months.

As part of qualifying for various funding options to help pay for this project, like grants and low to zero % interest loans, we had to complete a rate study that would verify that the City's Water Enterprise would continue to meet our debt service on the loan and provide enough revenue to cover ongoing maintenance and improvements for the water utility's ongoing operations. The rate study indicated that some moderate rate adjustments would be needed over the next five years to satisfy our 10-year master plan for the necessary modifications and ongoing maintenance to the water treatment plant and the distribution and storage system. As a result, the rate study concluded that water rates should anticipate an increase of 2% each year for the next 5 years in order to meet the current and known obligations of the water utility. The in-town residential rate is currently \$2.90 per 1,000 gallons of water. In 2019 that rate will increase to \$2.96 per \$1,000 gallons of water. The current base rate for water is \$28.50 per month. The base rate in 2019 will move to \$29.10. By 2023 the anticipated rate increase for 1000 gallons of water will top out at \$3.20 and the base rate will top at \$31.50. After 2023 we should be able to sustain these rates for a number of years in order to meet the projected obligations.

During the rate study process, it was determined through comparison to other communities with similar technology, that our rates will continue to be very competitive and will stay on that path throughout the next 5 years. Our goal, considering the need for this investment in the plant and distribution system, will be to continue to provide a good service and product at a good rate.

If you have questions or comments, please contact us for further information.

Sincerely,
Peter Brixius – Craig City Manager