

# From the President

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Gosh, it's been a hot summer, with lots of tourists and certainly a better one than last year with its oil spill problems.

At South Walton Utility Company, we are undertaking a new project which, when completed, will provide a long term supply of potable (drinking) water in quantities, large enough to meet future needs on a reliable and low cost basis. The project involves the construction of a pipeline system which will connect our wells located approximately 20 miles north of Choctawhatchee Bay, in the Bill Brown Well field, with our storage facilities on Goldsby Road. The line will be able to supply 8.6 million gallons per day through a 30" diameter line, on a gravity feed basis. That's a sufficient quantity of water to meet our forecasted needs and those of our partner DWU, 20 years from now.

This project will permit us to replace the current leased pipeline access arrangement which has been in use for many years and whose capacity to meet future water needs will become limiting within the foreseeable future.

The pipeline will be owned by Water Resource Partnership (WRP), which is jointly owned by South Walton Utility Company, Inc. (SWUCI) and Destin Water User (DWU) and is expected to cost \$22 million, with construction to start next month and to complete in 2 years. Project funding will come from a combination of loans from the Florida Department of Environmental Protection (FDEP), a grant from the Northwest Florida Water Management District and the use of each of the Utilities Reserve funds. Interim funding—necessary to facilitate the immediate start of the project has been arranged with Regions Bank. The project will be managed by POLYENGINEERING, Inc. of Dothan, Alabama who will provide engineering and project management services, and the construction contract by HEMPHILL CONSTRUCTION COMPANY, of Florence, Miss., who was the low qualified bidder.

The staff of both utilities has been diligent in applying for and acquiring the various easements and permits which authorize construction from cognizant local, state, and federal agencies needed before construction can begin. Most have been received or are expected shortly.

Of utmost importance to the project is that it must begin immediately i.e. September of this year. This is necessary, because installation of the pipeline north of Bay must be completed before the Florida Department of Transportation (FDOT) begins its project to expand US 331 north of the Bay and in the same area as planned for our pipeline project. The road project is expected to last 4 years or maybe longer—a timeline that would put our access to our existing pipeline supply system in jeopardy, both in terms of its capacity and its availability.

So we face logistical problems that are best solved by proceeding immediately, while at the same time, facing the reality of a near-term low growth economy, which means that revenue growth needed to meet increased debt service requirements stemming from the loan obligations mentioned above cannot be met by revenues generated by our current rate structure. Our only choice to increase revenue is to increase rates for our products and services. To this end, we have retained the services of a professional utility rate analyst to evaluate and to recommend a new rate structure which will be fair to our customers and generate sufficient additional revenue to permit us to remain financially healthy and to meet our new debt obligations.

The report indicates that an immediate increase of 4.5% in our water and 3.0% in our sewer rates is required and that further increases in the future may be necessary if revenue growth is not forthcoming.

However, to put this news in its proper perspective, this increase will mean—for the average customer using 4,000 gallons of water per month, an increase of \$.63 for water and \$.90 for sewer, per month. Lastly, SWUCI new rates will still be lower than most other utilities in the area. We hope you feel that you are still getting a good deal.

Sincerely,

