

Sewer rates may increase 25%

BY ANDREA UHDE • AUHDE@COURIER-JOURNAL.COM • MAY 19, 2010

Oldham County Sewer District customers may face a 25percent increase in rates for the second time in two years.

The Sewer District Board is proposing an increase to meet the revenue requirements for its loans and to make up for revenue loss because of the economy and weather, chairman Horace Harrod said.

Harrod said the board plans to discuss the proposed increase with the Fiscal Court utilities committee this week and in June to ask Fiscal Court to approve the new rate, which would affect the district's 5,600 customers.

Fiscal Court has the final say in the increase, Harrod said.

On May 11 the board discussed a possible 25percent increase that would start in September, but no decision has been made.

Rob Nicholas with Veolia Water, which oversees the sewer system operations, said he is considering several rate scenarios. He said the district will probably need an increase of more than 20percent to meet its needs.

“We're looking at a range of options,” he said.

The district had proposed a 22.5percent increase last summer but was able to avoid it because Fiscal Court used its credit rating to refinance \$7.4million of the district's debt. The refinancing pushed interest and principal payments back two years, but Harrod said the district needs to start increasing its revenue now to make payments on the **bonds** when they are due in the 2011-12 fiscal year.

Nicholas said the district will owe about \$290,000 that year.

Also, the district has applied for \$2.75million in Kentucky Infrastructure Authority loans, which require a certain amount of revenue to cover debt service, Harrod said. To meet that requirement, a minimum increase of around 25percent is required, Harrod said. Nicholas said that rate may actually end up around 20percent.

The district already has seen a drop in water use this fiscal year that had led to a shortfall of around \$200,000 in revenue, Harrod said.

“We don't know why they're down that much,” he said, guessing that the economy and weather played a role.

If the proposed increase does not pass, Harrod said, the district potentially would be in default on its loan contract. Without the loans, the district cannot pay for projects including improvements to the Ky. 1793 pump station and the Buckner plant that is over its capacity, Harrod said. Those improvements are necessary to avoid future violations or fines from the Department of Water and the Environmental Protection Agency, he said.

Residential customers with the district now pay a **base rate** of \$10.63 for sewer service; the rate increases according to water usage. It is now \$36.49 for 6,000 gallons of water, which is considered the average rate, although many households may pay less.

The sewer district was formed in 1996 to develop a regional sewer system and eliminate deficient treatment plants. It oversees a number of plants, many of them aging and in need of repair or replacement.

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