

Hello Neighbor,

In an earlier email, I sent out a report on the errors in the Economists.com cash flow and rate impact analysis. In that report I provided what the corrected cash flow and rate impacts would be for the assumptions that the board has been making for purchase price, interest rates, and loan terms.

The Economists.com cash flow analysis is based upon a very “best case” scenario. This report looks at more realistic scenarios for the costs associated with the purchase and operation of the water companies. This report addresses the following scenarios:

1. \$6,000,000 acquisition loan and a \$2,500,000 CIP loan in 2012. Borrowed at 5.5% interest and paid quarterly. Creative financing loan terms of 25 years, with first two years being interest only payments.
2. \$6,000,000 acquisition loan and a \$2,500,000 CIP loan in 2012. Borrowed at 5.5% interest and paid quarterly. Standard financing loan terms of 20 years.
3. \$8,000,000 acquisition loan and a \$2,500,000 CIP loan in 2012. Borrowed at 5.5% interest and paid quarterly. Creative financing loan terms of 25 years, with first two years being interest only payments.
4. \$8,000,000 acquisition loan and a \$2,500,000 CIP loan in 2012. Borrowed at 5.5% interest and paid quarterly. Standard financing loan terms of 20 years.

I have attached the report to the email.

A summary of the results is as follows:

1. Creative Financing Increases Total Cost By 13.5%

- The use of creative financing adds 13.5% to the life time cost of the loans when compared to a standard financing approach. This ranged from an additional \$1,898,696 to \$2,345,449 over the life of the loans.

2. Immediate Rate Increases Would Be Required

- The purchase of the water companies will/should require an immediate consolidation of all of the current rate bases for Pine and Strawberry into one common rate base. That consolidation, along with the increase in rates needed to cover the costs of purchasing the water companies, will result in a significant increase.
- Rate payers would see increases in the following ranges, depending upon the specific scenario used, between current rates and the initial 2009 rates for 3000 gallons of usage:
 - Pine, Winter: \$13.63 to \$22.81 (43.5% to 72.9%)
 - Pine Summer: \$7.49 to \$16.67 (20.0% to 44.5%)
 - Williamson: \$14.09 to \$23.27 (45.7% to 75.4%)
 - United: \$22.34 to \$31.52 (98.8% to 139.5%)
 - E&R: \$16.29 to \$25.47 (56.9% to 88.9%)
- Rate payers would see increases in the following ranges between current rates and the initial 2009 rates for 5000 gallons of usage:
 - Pine, Winter: \$20.51 to \$33.19 (49.7% to 80.5%)

- Pine Summer: \$10.29 to \$22.97 (20.0% to 44.6%)
- Williamson: \$23.89 to \$36.57 (63.1% to 96.6%)
- United: \$33.09 to \$45.77 (115.5% to 159.8%)
- E&R: \$23.74 to \$36.42 (62.5% to 95.8%)

3. Additional Large Rate Increases Will Be Required Over Next Five Years

- Over the next five years, from 2009 through 2013, the total additional increase, over the initial increase, with 3000 gallons of usage for each of the scenarios is:
 - \$6,000,000 with Creative Financing: \$14.15 (31.5%)
 - \$6,000,000 with Standard Financing: \$12.13 (24.3%)
 - \$8,000,000 with Creative Financing: \$15.37 (32.6%)
 - \$8,000,000 with Standard Financing: \$11.95 (22.1%)
- Over the next five years, from 2009 through 2013, the total additional increase, over the initial increase, with 5000 gallons of usage for each of the scenarios is:
 - \$6,000,000 with Creative Financing: \$19.49 (31.5%)
 - \$6,000,000 with Standard Financing: \$16.65 (24.3%)
 - \$8,000,000 with Creative Financing: \$21.07 (32.6%)
 - \$8,000,000 with Standard Financing: \$16.54 (22.2%)

This email is from the group Water For Pine Strawberry. We will be sending out an email after each of the PSWID meetings with a summary of what the board did, additional facts that are relevant to what went on, and some commentary. Please forward this email to friends and neighbors that are interested in the local water issues. If you would like to be added to or removed from the list for these emails, please reply to WaterForPineStrawberry@hotmail.com. Emails on earlier meetings are available on our website: www.WaterForPineStrawberry.com.

Water For Pine Strawberry is a group of residents who are concerned about the communities water issues and how they can best be resolved. Visit our web site, www.WaterForPineStrawberry.com, for more information. The website for PSWID is www.pswid.org.

Clarifications can be submitted by anyone who is explicitly named, implicitly identifiable, or a board member to items in this email. Clarifications will be posted on our website. We reserve the right to post a response. Clarifications must deal with the topics discussed in the email that relate to the individual or the board. They must be in family friendly language and be non-abusive. When the clarification is accepted, it will be posted to the website and notice of that posting will be added to the next email.