

September 12, 2005

Mr. Johnny Acres
General Manager
Oneida Utilities
P. O. Box 4848
Oneida, TN 37841

Dear Johnny:

I appreciate the opportunity to meet with you again last Friday and discuss the possibility of Oneida taking over the Winfield wastewater collection system. The tour of the Winfield system was very helpful in gaining a better understanding of this project.

As we discussed, the Town of Winfield has approached the City of Oneida about the possibility of Oneida taking control of Winfield's wastewater collection system. Currently, Winfield collects the sewage and pumps it to Oneida for treatment. There are several obvious advantages for Oneida to take ownership:

1. Oneida provides the water service to the Winfield customers, so personnel already work in this area on a regular basis.
2. Having the water system enables Oneida to more easily collect unpaid bills by disconnecting the water service. Because Winfield doesn't have this option, bad debts have been a continual problem.
3. Oneida is currently treating the waste so no additional labor or cost will be involved in the treatment process.
4. Billing, collecting, etc. are an integral function of Oneida Water and Wastewater. The customer database is already established for Winfield water customers, so adding sewer should be a relatively minor process.
5. Rehabilitation of the system has been ongoing for several years and there also appears to be an opportunity for growth of the system in the Winfield area with potential new customers.

Aside from the operational issues of this project, the single biggest factor is financial. Specifically, you asked if this was a sound financial venture for Oneida. In analyzing that question I considered several factors such as the revenue Oneida currently receives for treatment and new expenses you might incur.

Winfield pays \$5.40 per thousand gallons for treatment. Based on the previous 12 months the average monthly flow received was 833,818 gallons, giving Oneida an average of \$4,504 per month in revenues. As I indicated previously, there would be no impact on the

treatment costs. There would, however, be some additional costs for electricity and chemicals, and would also perhaps be some additional personnel costs. With these facts in mind I would offer the recommendation that Oneida take ownership of the Winfield system under the following conditions:

1. Winfield sewer system would be accounted for as a separate portion of the overall Oneida Water and Wastewater system. Revenues, expenses, etc. would be tracked separately in the sub ledger, becoming a part of the entire system totals. This would allow you to more accurately reflect revenue and costs.
2. Separate rates be established for the Winfield system

First 2,000 gallons (minimum bill)	\$18.00
All usage over 2,000 gallons	\$ 6.36/thousand

Based on the current number of customers and usage, this should bring in total revenues of \$4,740, a small increase over the current revenues received for treatment. While these rates are higher than the other Oneida customer rates, they are lower than Winfield's current rate and should result in most customers actually receiving a lower monthly bill.

3. Oneida would assume the sewer debt from Winfield of approximately \$62,000. If Oneida has the funds, I would recommend paying this debt off entirely rather than making monthly payments.
4. Winfield would agree to apply for CDBG grants for funds to further rehabilitate the wastewater system.
5. Oneida would also need to determine if any Winfield customers are currently paying wastewater maintenance fees. There may also be other customers who should be charged a fee.

I would be glad to discuss this with the Water and Wastewater Board. If you have any questions please feel free to call.

Sincerely,

Bill Young
MTAS Utility Finance Consultant