

## PRESIDENT'S REPORT APRIL 2024

PDM Utility Corporation ("PDMU") is a public service, not-for-profit Corporation responsible for water service and treatment of wastewater at Palmas del Mar under the terms and conditions established by its Franchise No. 386. PDMU is now regulated by the Department of Transportation and Public Works (DTOP) which establishes its rate structure; revise its by-laws and general operating procedures; and reviews annual audited financial statements.

### Mission Statement

PDMU's mission in conducting operations is to provide superior quality water and sewer services, at the lowest possible cost to subscribers located at the Palmas del Mar community and to do so in an environmentally responsible manner as a good citizen of the community that it serves.



The year 2023 was full of challenges and opportunities to our day-to-day operations and administrative functions. Some of the implemented improvements are detailed under the customer service and special projects sections that follow.

## **Customer Service**

The customer service to the Palmas del Mar Community was excellent during 2023. Considering the following:

- a. New website- Implementation was completed in March. The new website has helped our customers to complete many transactions via on-line, but also helped to improve the communication and maintain well informed our community. We take this opportunity to invite you to visit us at [www.pdmutility.org](http://www.pdmutility.org).
- b. Major interruptions to our water supply were suffered on March, April, June and July, when PRASA's water supply was affected mainly by system's repairs problems at the Río Blanco filtering plant. During that time, PDMU was able to communicate the situation to the subscribers using our e-mail blast tool and Live & Life Facebook page. A special recognition to Mrs. Lissette Rosado and the PHA team for helping us to diffuse those messages through the Live & Life magazine electronic version. Also, it is important to mention the support received from our subscribers by controlling and/or minimizing the consumption, having a positive impact to those episodes. All those situations helped us manage these episodes through the use of the Harbour Lights reservoir tanks.
- c. The number and the duration of the service interruptions experienced, positions PDMU as a "benchmark" compared to communities outside Palmas and the rest of Puerto Rico. The systems and reserve tanks are servicing Palmas del Mar very effectively, and capacity of gallons of reserve per number of subscribers are among the best on the island.

The following were the events recorded through the year related to water supply:

- PRASA's low water supply events- 6
- PDMU's no water supply to community- 0
- PDMU's water supply managed through the reservoirs- 6

Repairs- one water/sanitary main line repairs were registered this year.

<b>Events</b>	<b>Average hours affecting service</b>
Potable water line repairs- 7	2 hours (8 hours overnight shut-off on main Aquabella valve on 12/22/2023)
Sanitary sewer line repairs- 2	0 hours
Offsite Potable Main water line repairs- 0	0 hours

- d. Emphasis was placed in the remote electronic payment with flexible alternatives, along with other services that can be completed via phone or by e-mail.

Payments:

- "ATH Móvil" (Business/PDMU)
- "Mi Banco Online" at Banco Popular
- Pay by phone using credit cards
- Electronic payment thru our website
- Direct debit after registering account, accessing forms at our website
- Drop box located at facility entrance

Billing:

- Sent by regular mail
- Download e-bill from website

New water service:

- Do procedure at the office
- Access "Application for Water/Sewer Service" forms through our website
- Document submittal through e-mail

Complaints/Change of Address:

- Request in writing delivered at our office
- Request in writing submitted by e-mail (customerservicepdmu@gmail.com)
- Associated forms available at our website

**Regulatory Compliance**

PDMU’s Regulatory Compliance track record continued being excellent. All applicable permits are active, renewed, and “on-file”. The Water Quality Monitoring Program continued with excellent results. All points within the distribution network showed results within the established requirements for compliance with the Safe Water Drinking Act, EPA CFR 40 standards, and the Department of Health.

The WWTP effluent testing results performed by the outside laboratory contracted were found consistently in compliance all year round. This performance track record is a direct result of effective operations and preventive maintenance practices of the WWTP.

Potable water and WWTP monthly testing:

<b>Description</b>	<b>Non-Compliance</b>
Effluent testing- 12 (1/month)	0 occurrences
Potable water free chlorine- 52 (bi-weekly)	0 less than .2ppm
Compost- 2 (1/ 6 month)	0 occurrences

**Water Losses Control Program**

Water losses were registered at 17%. This is in line with the 17% that is the standard losses expected for leakages through the joints in any distribution system. This is an area that the PDMU Management team pays a lot of attention due to its financial impact on the organization. Two (2) misreading events from PRASA’s 10-inch meter affected adversely this percentage of loss. Those events, March (36%) and August (20%), were reported to PRASA as a claim. Very effective management tools are deployed to identify root causes and the corrective measures. Time to repair is critical to achieve low water losses.

Since 2018, our water loss experience has been under the 17%, being as low as 4.9%. Our variance this year gets related to several unexpected Harbour Lights tank refills due to PRASA’s failures in water production and deliver to Palmas. It is our goal to recover this standard, monitoring even closer any main line breakage in order to minimize water loss. Also, a closer look to main lines inside the property located at undeveloped areas, needs to supplement the already established pressure monitoring system.

**Special Projects and Initiatives**

a. PDMU Franchise renovation/extension process is on DTOP records since 2019. PDMU’s Franchise, that allows us to operate and own the potable water infrastructure and the sanitary sewer treatment plant expires in 2024. Our intention is to get a renovation based on the same number of years (50), as originally established, letting the DTOP (now the agency in charge after Public Service Commission transformation) know how important is to maintain this unit working as it does. The following steps has been taken by PDMU:

1. An effort with the Senate presenting a petition for the existing law amendment requesting to extend the operational period for Non PRASA Franchises up to 50 years.
2. Project was approved at Senate, passed to House of Representatives and amended there. It was approved by the House of Representatives as amended.
3. After that, it will go to the Governor for Signature.

That approval guarantees that the franchise extension will go beyond the 3 to 5 years that regulation establishes today for those petitions. The property's full development is based on PDMU's existence and water management. Having an interruption of this franchise timeframe for a lower period of existence, can affect the overall build-out and economic development of Humacao and eastern region. We requested PRASA's endorsement on this task based on our efficiency managing our infrastructure, being a consecutive system that benefits their operation on the eastern region.

- b. A franchise amendment was submitted on March 2022 that re-defines the financial model for new infrastructure construction. This amendment proposed that any entity interested in developing new projects, will be responsible, at their cost, to supply the necessary infrastructure or existing systems improvements, in order to be served by our water/sewer system. As of today, that submittal was evaluated by DTOP but revoked by the Court of Appeals when the agency did not follow the proper administrative processes. A revised submittal is planned to be delivered to DTOP by the end of the first quarter of 2024.
- c. Water tariff's revision- An amendment to existing service tariffs was submitted in February 2023 and resubmitted in February 2024 with updated information. Water rates has not been revised since 2004, other than the PRASA's increases to water rate which are passed-thru to our subscribers, following the Franchise ruling. The purpose of this revision is to raise the replacement reserve which has been depleted due to subsidy of all the operational and administrative cost impacted by inflation for the last 19 years. These reserves are needed to assure we can fund future special and critical infrastructure projects.
- d. Phase I of the new remote reading equipment project was implemented by March 2023. This included 1,000 new meters with new technology to substitute our existing and no technical supported system. This stage of the new system has reduced our data collecting time period, allowing to issue invoices on a shorter time. Also, PDMU was able to remove almost 400 outdated/stuck meters from our inventory, updating actual consumptions on the units and reducing water loss volumes (billing to customers versus purchase water to PRASA) by almost 2%.
- e. Major renovations to pumping and mechanical systems were done at Pump Station #12 wet pit and sanitary Pump Station #1. No interruptions to the sanitary sewer system resulted from those repair works.
- f. CDBG-MIT Program- All the required information and documentation for the application was submitted. The following projects are pursued:
  - 1. Pump Station #1 shoreline protection
  - 2. Relocation of existing main 12" water line along Candelero River
  - 3. Relocation of commercial office building
  - 4. Relocation of main 16" water line across Rio Humacao
  - 5. Pump Station #2 electrical substation protection
  - 6. Pump Station #359 tank expansion

Estimated cost submitted for all these projects under CDBG-MIT program is \$4.3 Millions. Housing Development is expected to announce eligible and accepted applicants by the end of March 2024. If those projects are approved by HUD, then PDMU will not need to fund those projects.

- g. FEMA assistance- Remaining funds from hurricane María (\$13K) still pending of being received. Funds from hurricane Fiona repair work (\$105K) were received. Unused funds from those disasters (approx. \$55K) were requested to FEMA to be used on mitigation repair work for facilities and equipment.
- h. The waste water treatment pump stations were cleaned and painted including generators. Same work was done at the water pump stations.

## **Financial Results**

The most challenging objective on any organization is achieving the financial results. Worldwide inflation has escalated prices on national deliveries, among other things. Despite this, PDMU has maintained the rates to our subscribers, other than the new PRASA's (AAA) water rate schedule established on August. This rate imposed a 2% yearly increase up to year 2027. This rate constitutes a "pass-thru" on our invoicing. The end result was approximately .42¢ on the basic rate (first 2,000 gallons), helped by CCAR charge elimination.

At PDMU, we can say the goals were accomplished. With water sales that were \$17K below plan, the operating expenses were \$84.5K favorable to plan. Despite unexpected overbill costs by PRASA that adversely affected the operational costs by (\$33K). General and administrative expenses were \$148.6K favorable to plan. The Total Operating Surplus (Deficit) was favorable to plan. More detailed information can be found on the Treasurer's Report.

### **Performance Summary**

This year PDMU met its operational and financial goals, even when we were challenged by the impact of inflation. However, looking into the future, it is imperative that we increase our services rates.