Water and Sewer Rate Study

Stakeholder Meetings
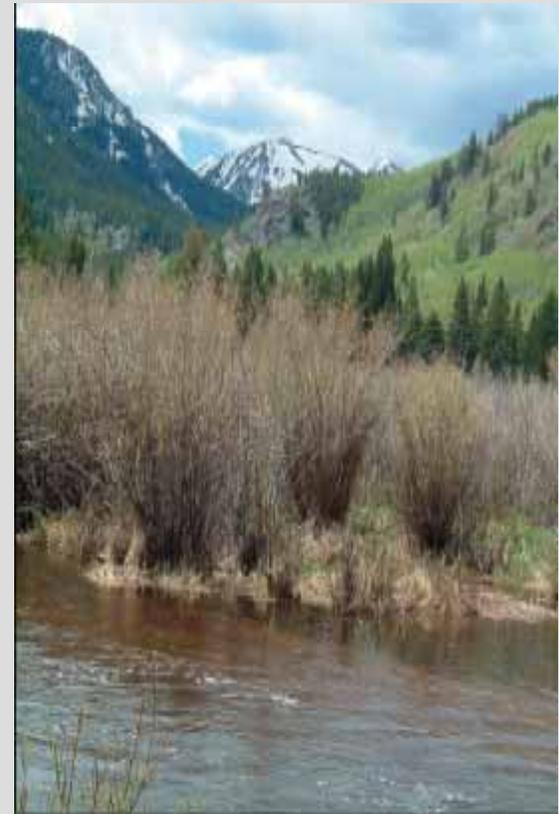
Meeting No. 3

May 7, 2009

Pathways to Lasting Solutions
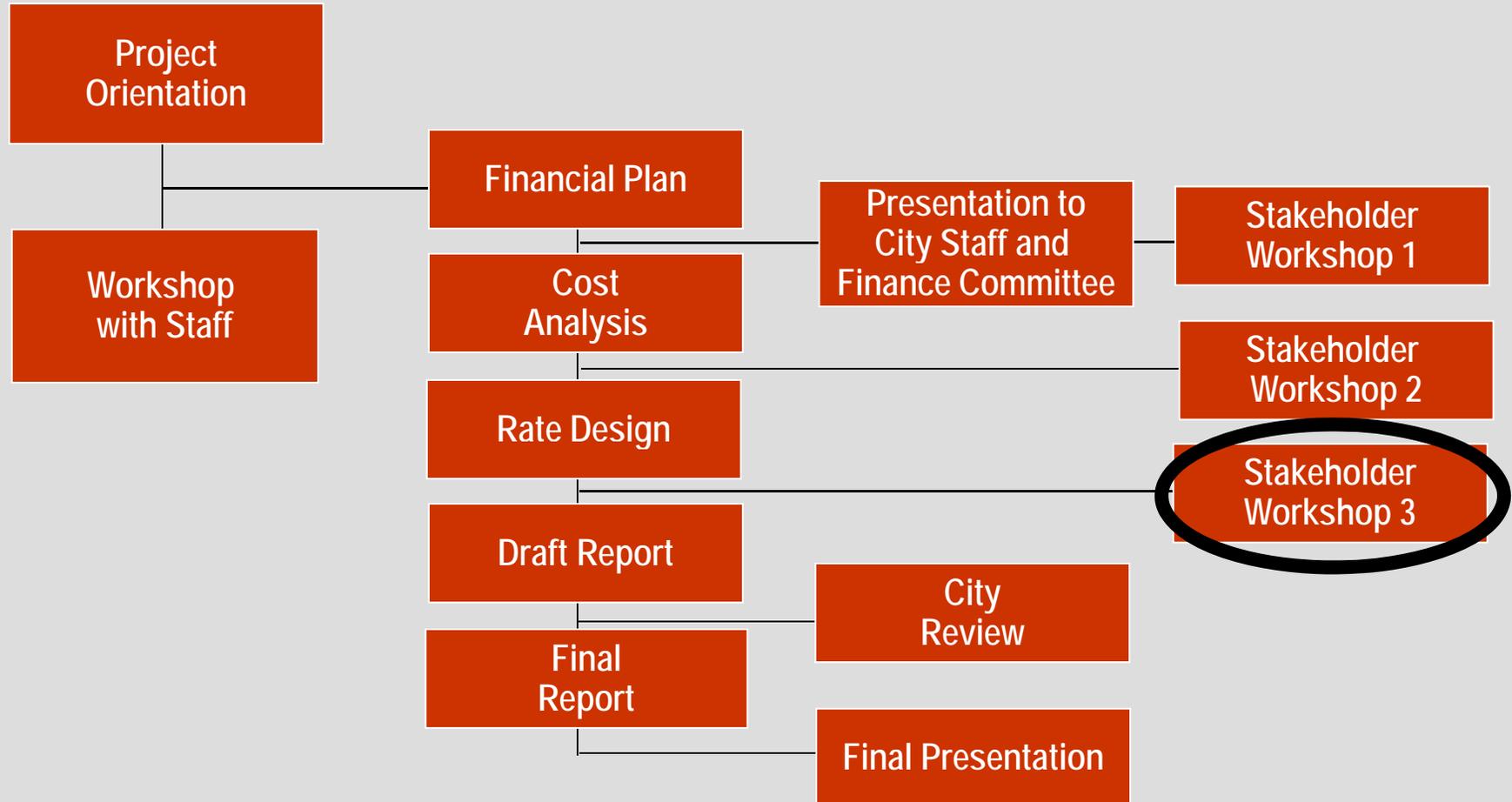
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Agenda

- Background / Housekeeping Items
- Review Prior Meeting
- Financial Model Demonstration
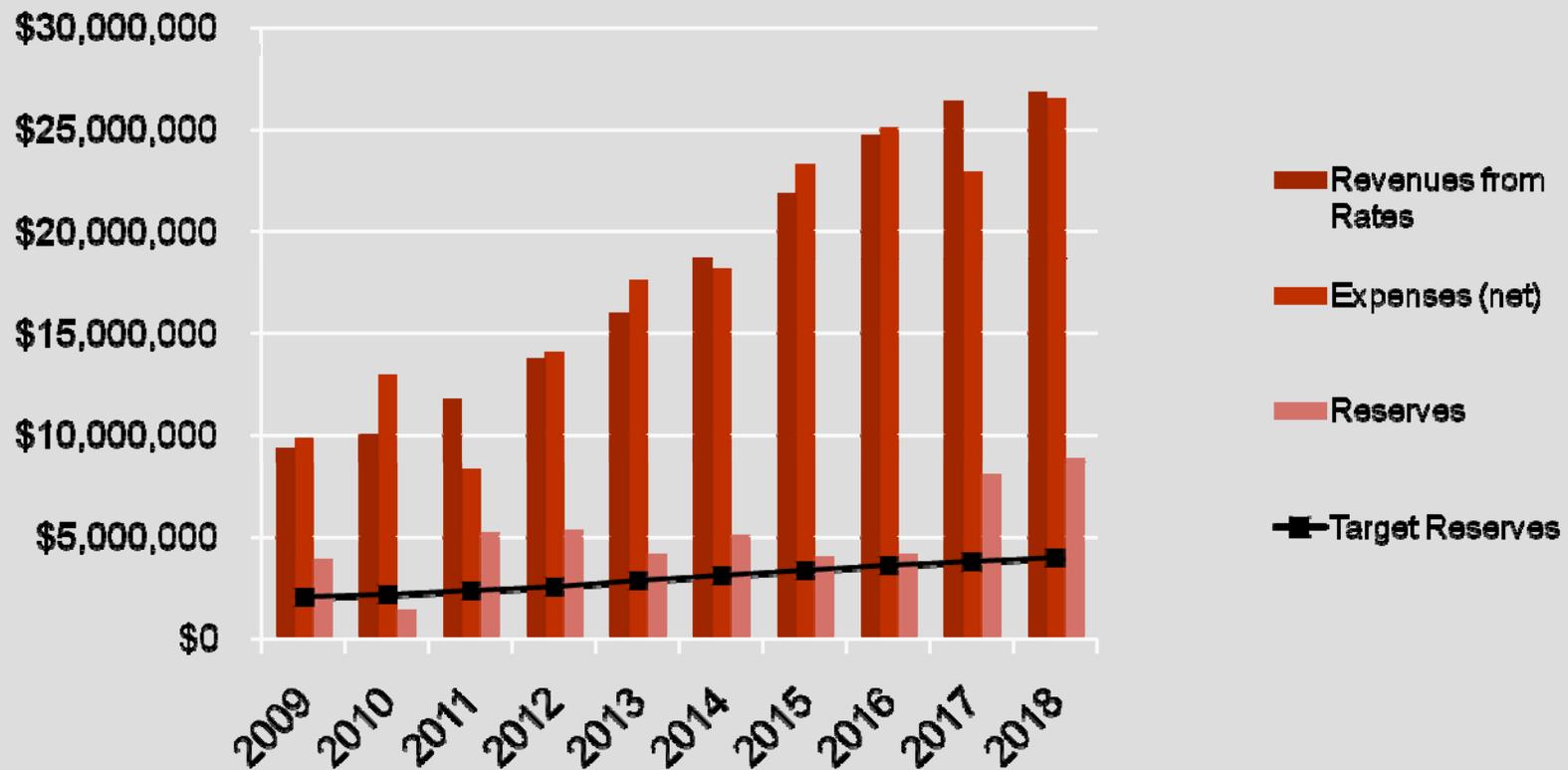- Rate Design
- Proposed Rates
- Customer Bill Impacts

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Review Prior Meeting

Financial Forecast Under *Proposed* Revenues (Rates)

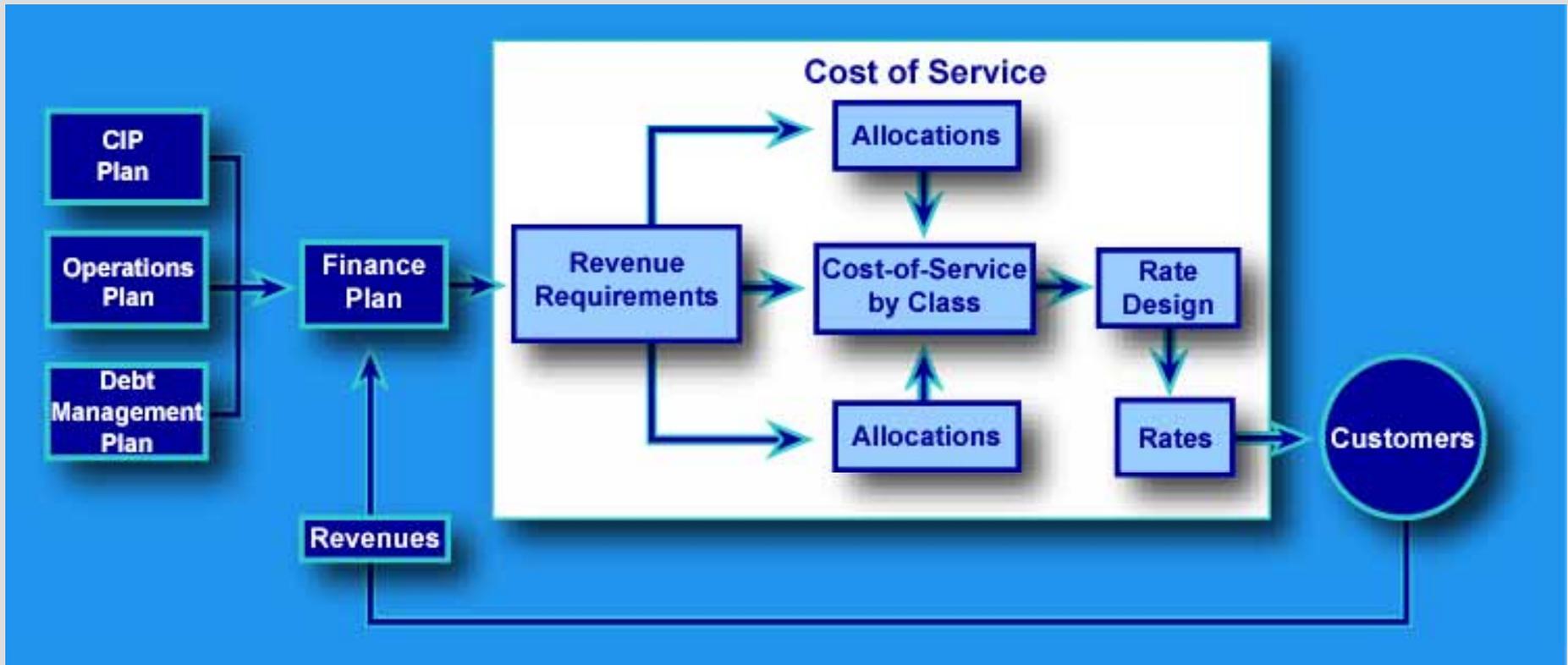# Annual *Revenue* Adjustments Needed to Sustain Financial Health

Year	Water	Wastewater
2009	0%	0%
2010	19%	19% ~~18%~~
2011	17%	18%
2012	17%	17%
2013	17%	17% ~~16%~~
Cumulative (5-year)	91%	92% ~~89%~~
2014	17% ~~15%~~	17% ~~15%~~
2015	17% ~~5%~~	17% ~~9%~~
2016	8% ~~4%~~	12% ~~8%~~
2017	5% ~~4%~~	0% ~~0%~~
2018	0% ~~3%~~	0% ~~0%~~
Cumulative (10-year)	196% ~~156%~~	195% ~~156%~~

(Note: cumulative <u>revenue</u> increase – or rates across all classes)

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Financial Plan Supports a Water and Wastewater CIP of $85,650,000 (2009 Dollars)

$17,220,000
$6,926,600
$43,325,000
$18,176,250

- WW Collection
- WW Treatment
- W Treatment
- W Distribution

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CIP Projects Map
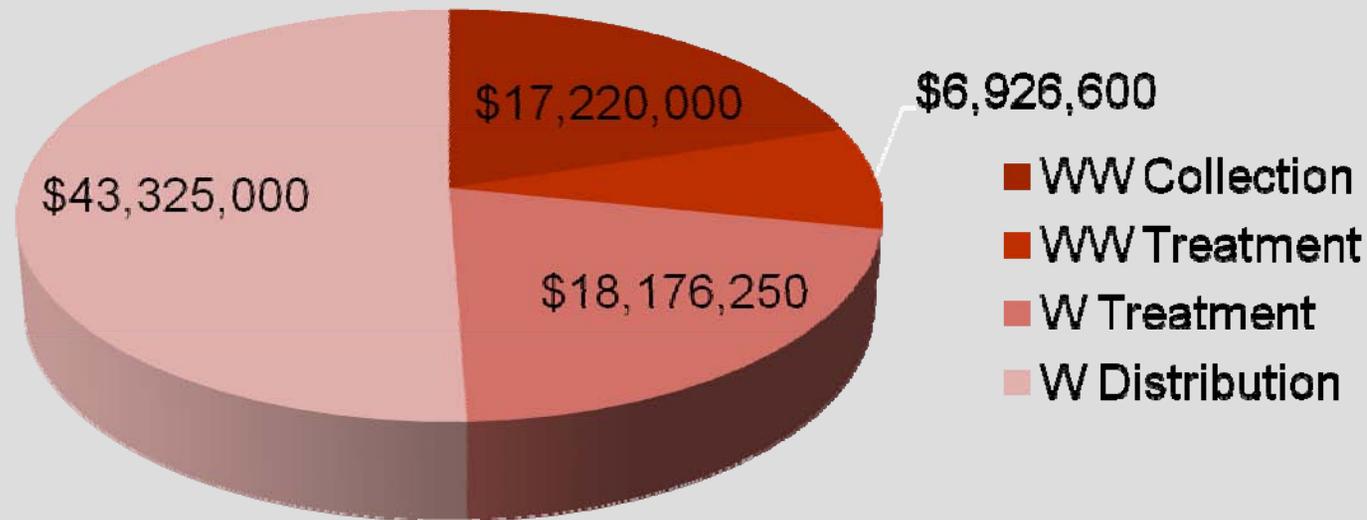
Overview of Cost-of-Service & Rate Design Process
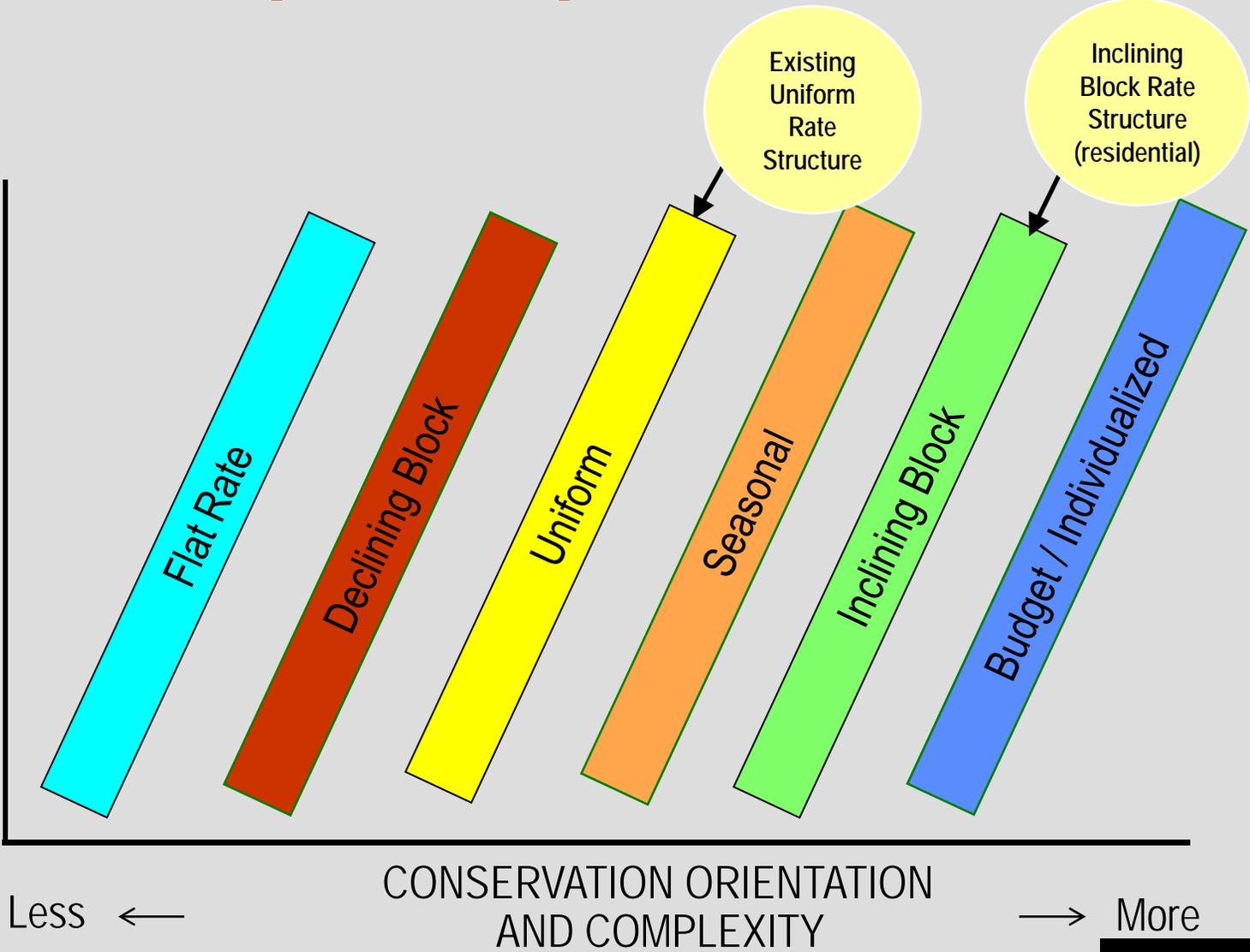
Financial Model Demonstration

Rate Design

Water Rate Making Industry Standards References

- Principles of Water Rates and Fees
  Manual M1
  American Water Works Association,
  Fifth Edition, 2000

- Water Rates, Fees, and the Legal
  Environment
  American Water Works Association,
  2005

- Developing Rates for Small
  Systems Manual 54
  American Water Works Association,
  2004

Rate Design/Pricing Structure Continuum

Existing Uniform Rate Structure

Inclining Block Rate Structure (residential)

Flat Rate

Declining Block

Uniform

Seasonal

Inclining Block

Budget / Individualized

CONSERVATION ORIENTATION AND COMPLEXITY

Less ⟵

⟶ More

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How Many Blocks?

- The American Water Works Association M1 Manual of Water Supply Practices "Principles of Water Rates, Fees, and Charges" acknowledges that "no standard number or size of the blocks exists, nor is there a standard for how steeply the unit charges for each of the blocks increase."

- Generally, increasing block consumption thresholds change in proportion to the customer's meter capacity, expected consumption, or other verifiable standard.

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Current and Proposed Customer Classes – Water

Current Structure

- Uniform Water Rate
- Inside City / Outside City Differential

Proposed Structure

- Residential
    - Increasing Block (either 2 block or 4 block)
- Commercial (uniform for class)
- Irrigation (uniform for class)
- Wholesale (uniform for class)
- Inside City / Outside City Differentials

Current Customer Classes – Sewer No Rate Structure Change Proposed

- Residential
- Commercial & University
    - CA - Restaurants
    - CB - Bars & Taverns
    - CC - Entertainment & Service ; UC – University Food Service
    - CD - Laundries, Schools & Stores
    - CE - Office Buildings; UE – University School Buildings
    - CF - Hotels & Motels
    - CG - Hospitals, Athletic Clubs, Apt, Daycares; UG – University Dorms, Residences
- Wholesale

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Example: Water Tier Design
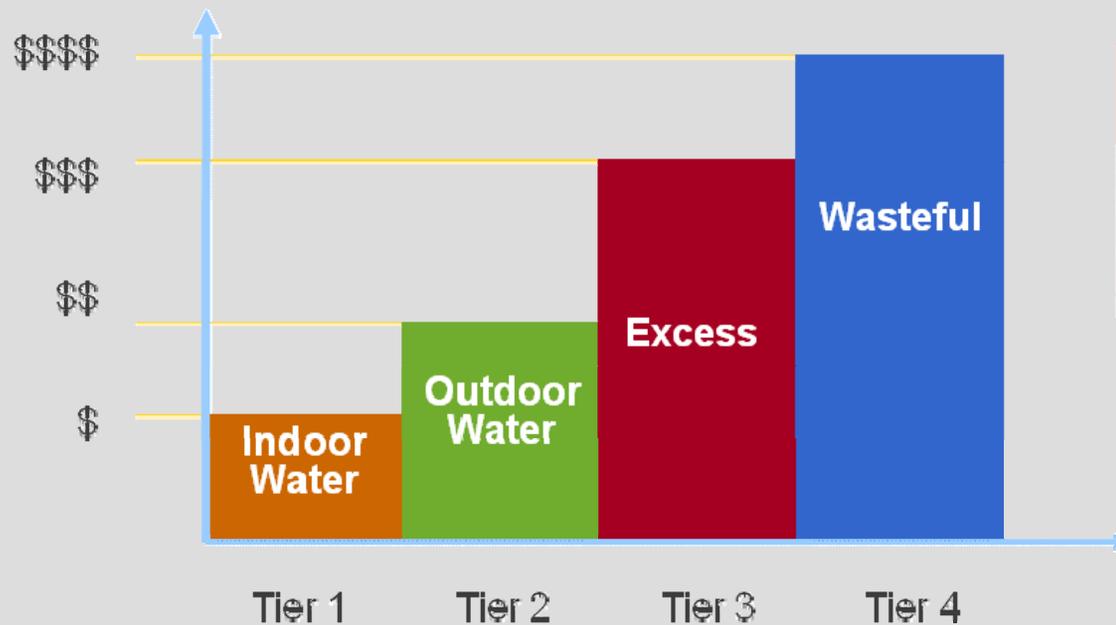
Cheyenne Example

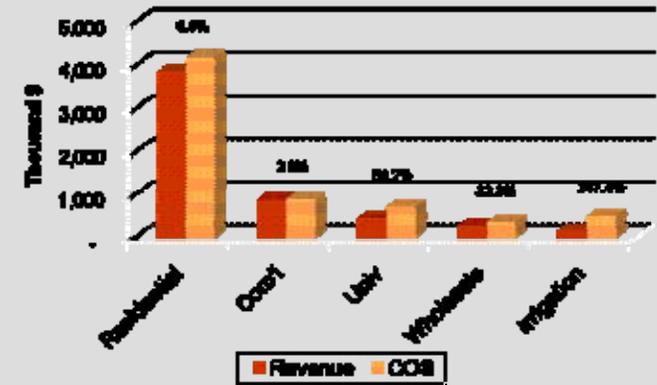| Tier	Description	Rate
First 6,000 gallons	Average domestic use	$3.20
Next 18,000 gallons	Typical July irrigation	$3.98
Next 18,000 gallons	Large irrigators	$4.92
Over 42,000 gallons	Large water users	$6.14

Tier Widths Reflect Customer Class & Size

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Proposed Rates

Who Pays?

- City staff expressed a preference for "cost of service" rates for each enterprise.

- Red Oak designed tiered water conservation rates

  - Two-block

  - Four-block

  - Customer impact increases as consumption increases

- All of the rates presented today are DRAFT and subject to change following internal quality control review.

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Current and Proposed Water Base Fees Test Year 2010

Meter Size	Current	Proposed FY 2010
¾"	$ 13.67	$ 17.91
1"	$ 22.97	$ 28.11
1 ½"	$ 45.22	$ 51.20
2"	$ 73.21	$ 80.01
3"	$ 136.39	$ 153.47
4"	$ 227.53	$ 253.58
6"	$ 455.14	$ 493.29
8"	$ 727.94	$ 761.39

* Waterline replacement program monthly charge of $4.24 is assessed to each meter in addition to the base charge under the current fee.

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Current and Alternative 1: Four-Tier Proposed Water Metered Fees

Meter Size	Current	Proposed FY 2010
Residential		
First 3,000 gallons	$ 2.30	$ 2.30
Next 3,000 gallons	$ 2.30	$ 2.88
Next 9,000 gallons	$ 2.30	$ 3.60
Over 15,000 gallons	$ 2.30	$ 4.50
Commercial	$ 2.30	$ 2.81
University	$ 2.30	$ 3.08
Wholesale	$ 2.30	$ 2.70
Irrigation	$ 2.30	$ 5.14

* Outside city customers metered fees are 1.25 times greater than inside city customer metered fees.

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Current and Alternative 2: Two-Tier Proposed Water Metered Fees

Meter Size	Current	Proposed FY 2010
Residential		
First 6,000 gallons	$ 2.30	$ 2.85
Over 6,000 gallons	$ 2.30	$ 3.56
Commercial	$ 2.30	$ 2.81
University	$ 2.30	$ 3.08
Wholesale	$ 2.30	$ 2.70
Irrigation	$ 2.30	$ 5.14

* Outside city customers metered fees are 1.25 times greater than inside city customer metered fees.

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Current and Proposed Residential Wastewater Rates

Charge	Current Amount	Proposed FY 2010
Base Fee – All Meter Sizes	$ 9.83	$12.97
Consumption Charge*	$2.22 per 1,000 gallons	$2.61 per 1,000 gallons
* Based on January, February and March water consumption from the previous year usage for the residence. The average of the three months is the consumption used each month for the entire year.		

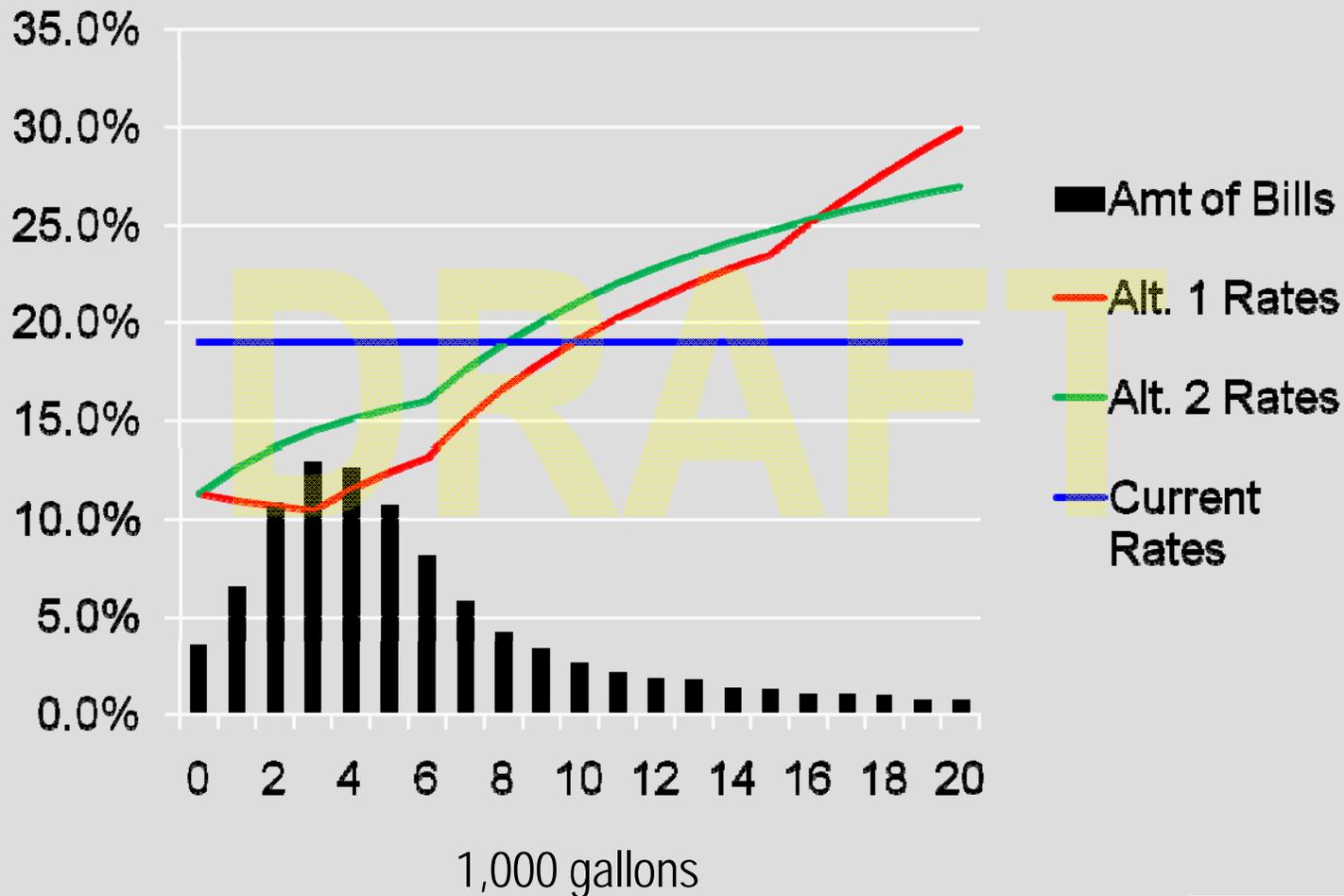# Current and Proposed FY 2010 Commercial Wastewater Rates

Charge	Description	Current	Proposed
Base Rate		$9.83	$12.97
Consumption Rate			
CA	Restaurants	$ 3.73	$ 4.50
CB	Bars & Taverns	$ 4.75	$ 5.20
CC	Entertainment & Service	$ 3.55	$ 3.65
CD	Laundries, Schools & Stores	$3.23	$ 3.50
CE	Office Buildings	$ 2.98	$ 3.07
CF	Hotels & Motels	$ 2.59	$ 3.20
CG	Hospitals, Athletic Clubs, Apt, Daycares, Dorms, Residences	$2.21	$ 2.59

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Customer Bill Impacts

Residential Monthly Bill Impact (%) Water and Sewer Combined - 2010

Legend:
- Amt of Bills
- Alt. 1 Rates
- Alt. 2 Rates
- Current Rates

x-axis: 1,000 gallons
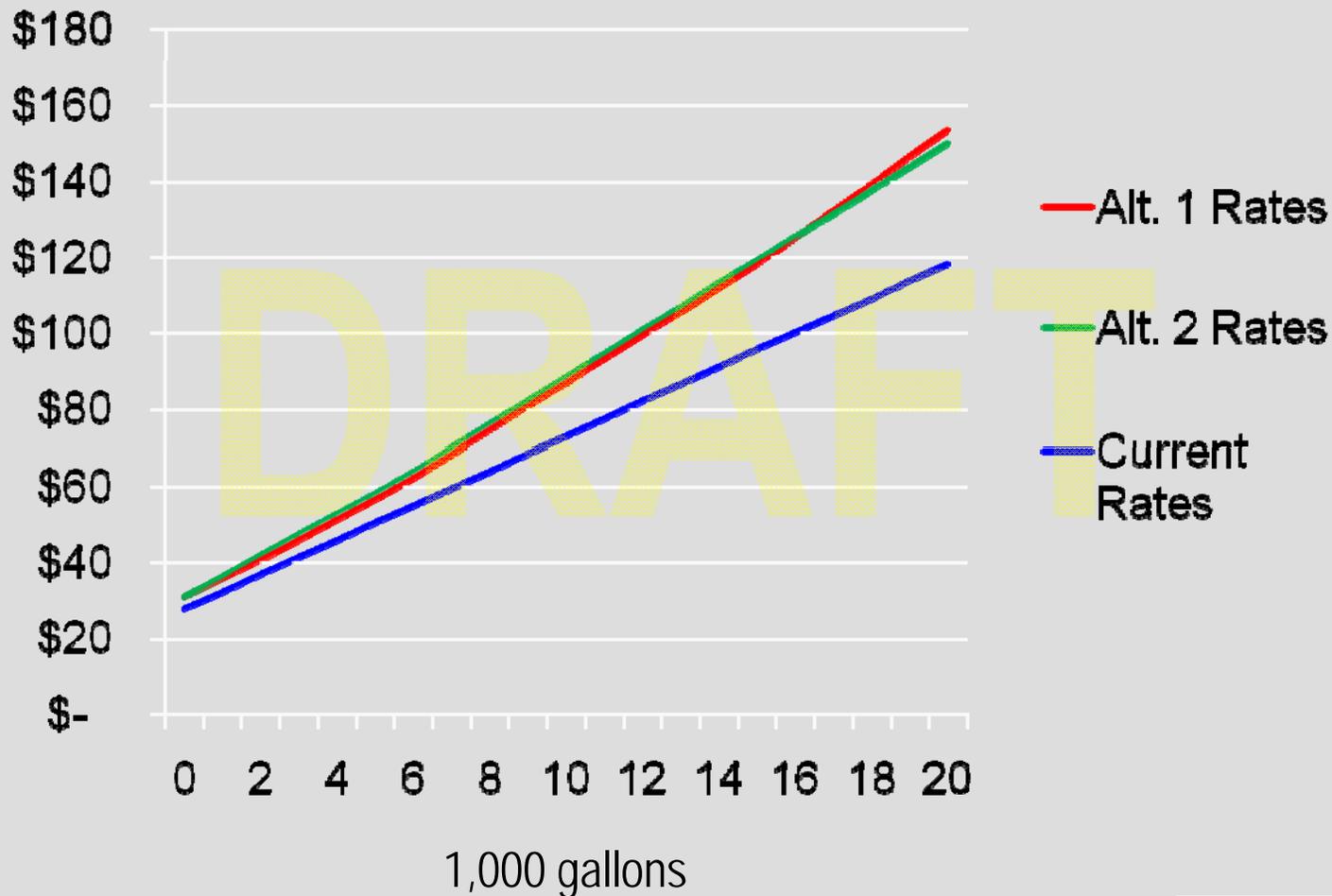
Committee Discussion and Guidance
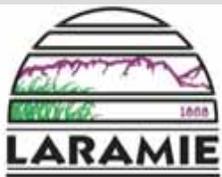
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