

City of Washougal

Water and Sewer Rate Study

Preliminary Cost of Service/Rate Results

September 23, 2013

Recap of Revenue Requirement Policy Direction

- System reinvestment phased in over 10 years

Water

| Annual Rate Adjustments | Existing | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------------|----------|----------|----------|----------|----------|----------|
| Annual Rate Adjustment (%) | | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Cumulative Rate Adjustment (%) | | 3.0% | 6.1% | 9.3% | 12.6% | 15.9% |
| Sample Bi-Monthly Water Bill [a] | \$ 78.21 | \$ 80.56 | \$ 82.97 | \$ 85.46 | \$ 88.03 | \$ 90.67 |
| Annual Rate Adjustment (\$) | | \$ 2.35 | \$ 2.42 | \$ 2.49 | \$ 2.56 | \$ 2.64 |
| Cumulative Rate Adjustment (\$) | | \$ 2.35 | \$ 4.76 | \$ 7.25 | \$ 9.82 | \$ 12.46 |

[a] Assumes 16 ccf average bi-monthly usage

Sewer

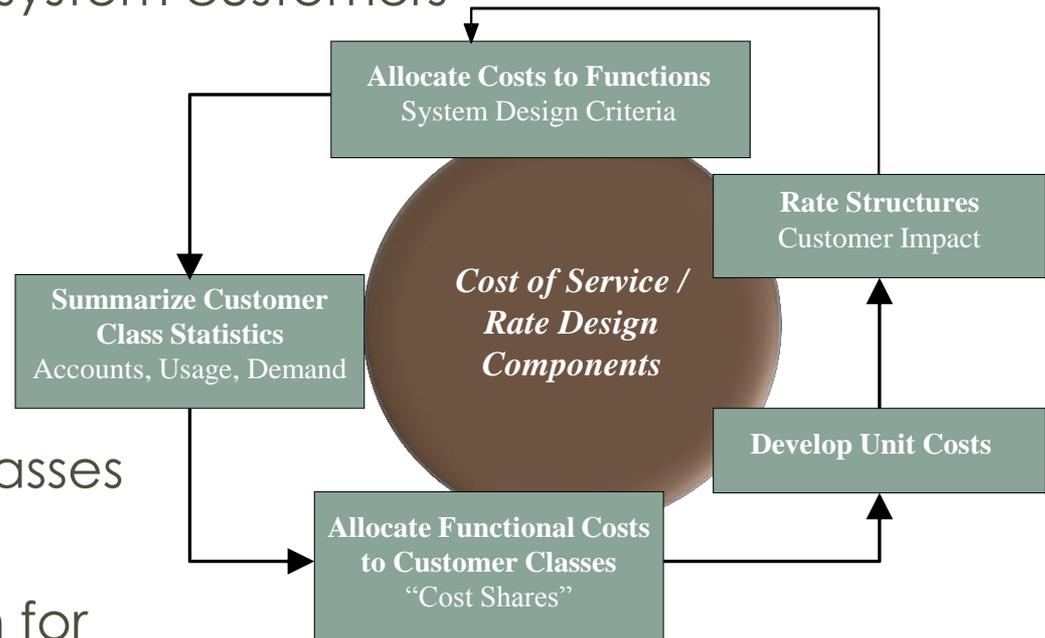
| Annual Rate Adjustments | Existing | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Annual Rate Adjustment (%) | | 0.0% | 0.0% | 0.0% | 2.0% | 2.0% |
| Cumulative Rate Adjustment (%) | | 0.0% | 0.0% | 0.0% | 2.0% | 4.0% |
| Sample Bi-Monthly Sewer Bill | \$ 113.20 | \$ 113.20 | \$ 113.20 | \$ 113.20 | \$ 115.46 | \$ 117.77 |
| Annual Rate Adjustment (\$) | | \$ - | \$ - | \$ - | \$ 2.26 | \$ 2.31 |
| Cumulative Rate Adjustment (\$) | | \$ - | \$ - | \$ - | \$ 2.26 | \$ 4.57 |

Sample bills reflect increases applied to existing rate structures

COST OF SERVICE RESULTS

Overview of Cost of Service

- Provides a defensible basis for assigning “cost shares” and establishing “equity” for system customers
 - Number of customers
 - Patterns of use
 - Level of service
 - Other
- Determines appropriate grouping of customer classes
- Serves as the foundation for rate structure designs



Major Findings

- Cost of service indicates subsidies exist among customer classes within both utilities
- Redistribution of cost recovery and revised water/sewer rate structures warranted to improve equity and achieve City pricing objectives
- Significant near term customer bill impacts warrant development of phase-in strategies to achieve goals

WATER UTILITY

Water Customer Statistics

| | Monthly Water Usage (ccf/unit) | | | Peak Ratio | Number of Units |
|----------------------------------|--------------------------------|----------------|----------------|------------|-----------------|
| | Annual Average | Winter Average | Summer Average | | |
| Single Family Residential | 8.07 | 7.04 | 10.12 | 1.25 | 4,167 |
| Multi-Family Residential | 6.93 | 6.73 | 7.33 | 1.06 | 1,097 |
| Commercial | 14.49 | 12.68 | 18.13 | 1.25 | 804 |
| Large Commercial | 4,538 | 4,386 | 4,843 | 1.07 | 1 |

- Difference in usage patterns warrant separation of classes
 - Single Family & Multifamily Residential
 - Commercial & Large Commercial
 - Future studies should evaluate separation of irrigation accounts from the commercial class (irrigation meters, municipal parks)

Water Cost Allocations by Class

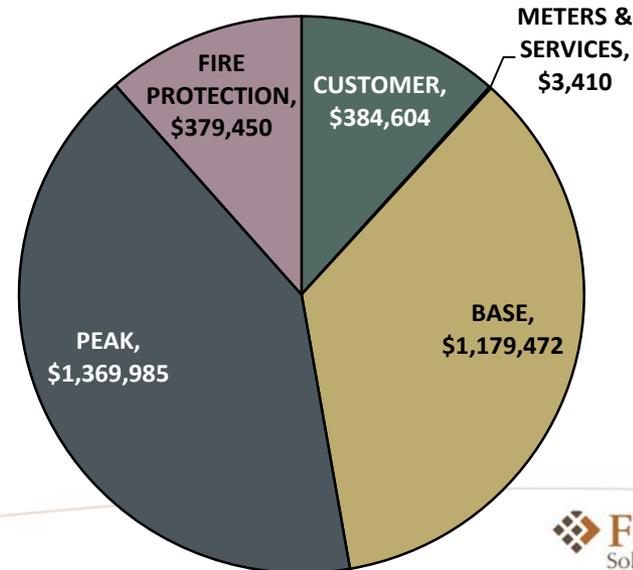
| Functional Categories: | Customer | Meters & Services | Base Demand | Peak Demand | Fire Protection | Total |
|---------------------------|----------------------|--------------------------------|-------------------|-----------------------|--------------------------------|---------------|
| <i>Allocation Basis:</i> | <i>No. of Meters</i> | <i>No. of Meter Equiv. [a]</i> | <i>Annual Use</i> | <i>Summer Use [b]</i> | <i>No. of Meter Equiv. [c]</i> | |
| Single Family Residential | 80.7% | 75.6% | 58.4% | 69.9% | 68.9% | 67.0% |
| Multi-Family Residential | 3.7% | 3.7% | 13.2% | 3.6% | 3.6% | 7.0% |
| Commercial | 15.6% | 20.1% | 20.2% | 23.9% | 26.2% | 21.9% |
| Large Commercial | 0.0% | 0.5% | 8.2% | 2.6% | 1.3% | 4.1% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

[a] Based on meter service equivalent ratios

[b] Incremental summer to average use

[c] Based on meter capacity equivalent ratios

Total revenue requirement: \$3.3 million



Water Cost of Service Results

| Customer Classes | 2014 | | | 2018 | | Cumulative Increase / (Decrease) |
|---------------------------|-----------------------------------|----------------------|----------------------------|---------------------------------------|----------------------|----------------------------------|
| | 2014 Revenue under Existing Rates | 2014 Cost of Service | 2014 Increase / (Decrease) | 2018 Revenue under Existing Rates [a] | 2018 Cost of Service | |
| Single Family Residential | \$ 2,088,407 | \$ 2,221,041 | 6.4% | \$ 2,173,205 | \$ 2,599,434 | 19.6% |
| Multifamily | 376,497 | 233,312 | -38.0% | 391,784 | 273,706 | -30.1% |
| Commercial | 640,254 | 725,643 | 13.3% | 666,250 | 850,740 | 27.7% |
| Large Commercial | 115,154 | 136,925 | 18.9% | 119,830 | 160,927 | 34.3% |
| TOTAL | \$ 3,220,312 | \$ 3,316,921 | 3.0% | \$ 3,351,069 | \$ 3,884,808 | 15.9% |

[a] Including cumulative growth

- Multifamily places relatively lower use demands on the system
- Large commercial revenues generated from the top blocks of the decreasing structure and not recovery costs

| Unit Costs | Existing | 2014 Cost of Service |
|----------------------------------|----------------|------------------------|
| Single Family Residential | \$ 5.18 | \$ 5.51 |
| Multi-Family Residential | \$ 4.13 | \$ 2.56 |
| Commercial | \$ 4.58 | \$ 5.19 |
| Large Commercial | \$ 2.04 | \$ 2.42 |
| Overall System Unit Costs | \$ 4.66 | \$ 4.80 3.0% |

Water Cost of Service Phase-In Strategy

Recap of Original Cost of Service

| Customer Classes | 2014 | | | 2018 | | Cumulative Increase / (Decrease) |
|---------------------------|-----------------------------------|----------------------|----------------------------|---------------------------------------|----------------------|----------------------------------|
| | 2014 Revenue under Existing Rates | 2014 Cost of Service | 2014 Increase / (Decrease) | 2018 Revenue under Existing Rates [a] | 2018 Cost of Service | |
| Single Family Residential | \$ 2,088,407 | \$ 2,221,041 | 6.4% | \$ 2,173,205 | \$ 2,599,434 | 19.6% |
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[a] Including cumulative growth

Phase-In Strategy

| Customer Classes | Phase-In Cost of Service Shift | | | | | Cumulative |
|---------------------------|--------------------------------|-------------|-------------|-------------|-------------|--------------|
| | FYE 2014 | FYE 2015 | FYE 2016 | FYE 2017 | FYE 2018 | |
| Single Family Residential | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 15.9% |
| Multi-Family Residential | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Commercial | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 24.6% |
| Large Commercial | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% | 30.7% |
| TOTAL | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 16.3% |

Water Rate Structure Goals

- Generate appropriate cost recovery from fixed charges to balance customer affordability with revenue stability
 - Current: 68% fixed / 32% volume
 - Best practice: 40% fixed / 60% volume
- Move toward customer class cost of service rates while mitigating significant customer impacts
- Provide rate relief for low water users and send appropriate pricing signals to high water users

Water Rate Structures

EXISTING

- **Base charge increasing with meter size; usage allowance increasing with meter size**
- **Multifamily charge per unit; usage allowance per unit**
- **Six-block decreasing volume charge applied to usage above allowance**

PROPOSED

- **Reduce allowance to address affordability and stability**
- **Establish tiered volume rate structure for SFR to align with usage patterns (low, average, high)**
- **Establish class-specific single block volume charges for all other customers**

Water Rate Structure Strategy

- Single Family Residential
 - Move immediately to three-tiered block rate structures designed based on usage patterns (low, average, high)
 - Reduce allowance over 5-yr period
 - 3/4" meter allowance reduces from 10 ccf to 5 ccf per bi-monthly bill

- Multifamily Residential & Commercial
 - Reduce allowance over 5-yr period to 50% of existing allowance by meter size
 - Move Immediately to class-specific single block volume rate

- Large Commercial
 - Reduce allowance over 5-yr period to 50% of existing allowance
 - Immediately condense from six blocks to two blocks
 - Condense remaining two blocks over 5-yr period

Proposed Water Rates

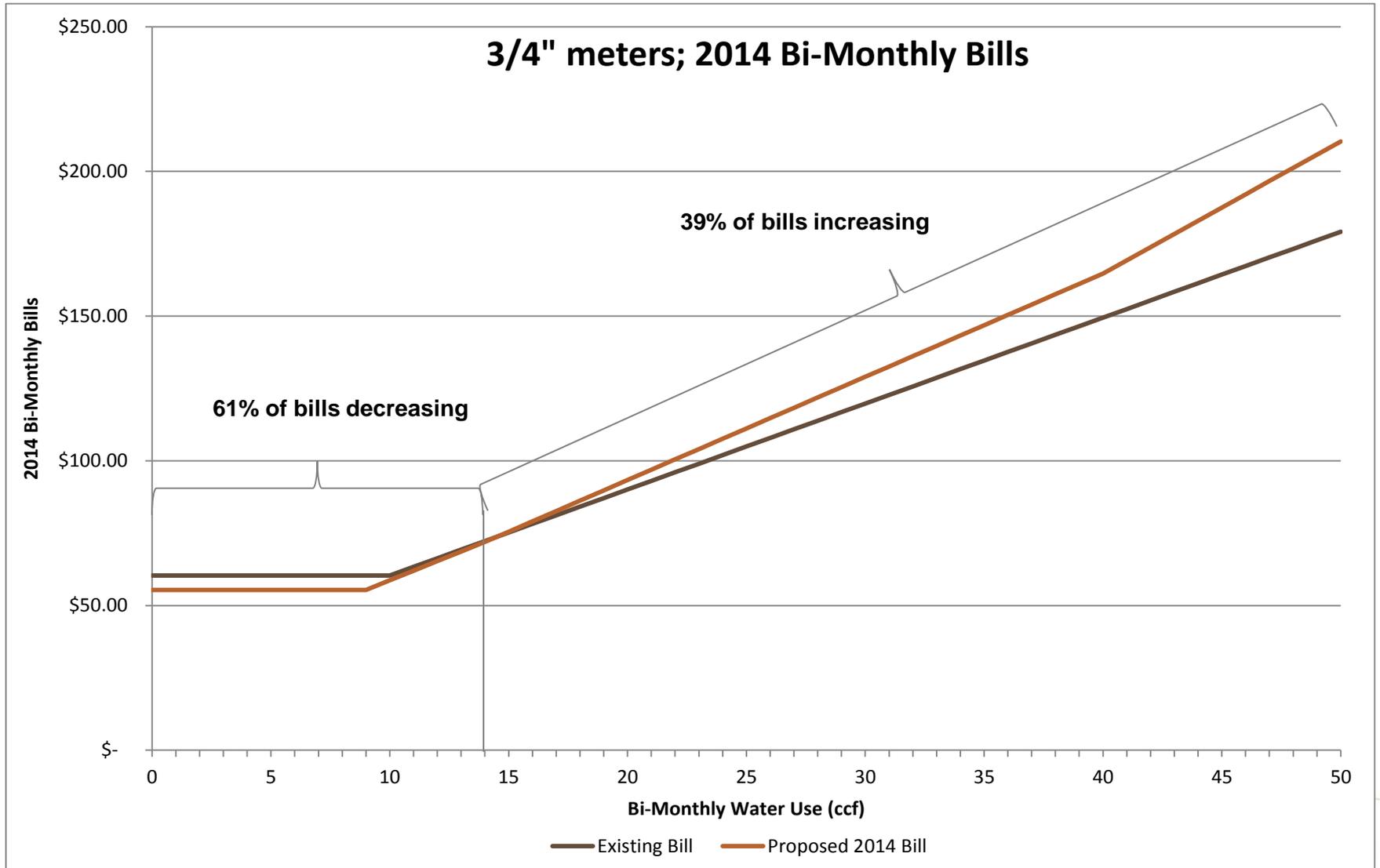
Bi-Monthly Base Charges

| Meter Size | Bi-Monthly Base Charge | | | | | | | | | | | |
|--|------------------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|-----------------|------------|-----------------|
| | Existing | Allowance (ccf) | 2014 | Allowance (ccf) | 2015 | Allowance (ccf) | 2016 | Allowance (ccf) | 2017 | Allowance (ccf) | 2018 | Allowance (ccf) |
| 3/4" | \$ 60.38 | 10 | \$ 55.39 | 9 | \$ 51.55 | 8 | \$ 47.44 | 7 | \$ 44.02 | 6 | \$ 40.34 | 5 |
| 1" | \$ 68.97 | 13 | \$ 63.27 | 12 | \$ 58.89 | 10 | \$ 54.19 | 9 | \$ 50.28 | 8 | \$ 46.08 | 7 |
| 1 1/2" | \$ 114.77 | 28 | \$ 105.28 | 25 | \$ 97.99 | 22 | \$ 90.18 | 20 | \$ 83.67 | 17 | \$ 76.68 | 14 |
| 2" | \$ 168.31 | 47 | \$ 154.39 | 42 | \$ 143.71 | 38 | \$ 132.25 | 33 | \$ 122.70 | 28 | \$ 112.45 | 24 |
| 3" | \$ 352.83 | 105 | \$ 323.65 | 95 | \$ 301.26 | 84 | \$ 277.24 | 74 | \$ 257.21 | 63 | \$ 235.73 | 53 |
| 4" | \$ 532.58 | 170 | \$ 488.54 | 153 | \$ 454.73 | 136 | \$ 418.48 | 119 | \$ 388.25 | 102 | \$ 355.82 | 85 |
| 6" | \$ 893.10 | 300 | \$ 819.24 | 270 | \$ 762.56 | 240 | \$ 701.76 | 210 | \$ 651.07 | 180 | \$ 596.69 | 150 |
| 8" | \$ 1,490.03 | 500 | \$ 1,366.81 | 450 | \$ 1,272.23 | 400 | \$ 1,170.80 | 350 | \$ 1,086.24 | 300 | \$ 995.50 | 250 |
| Multifamily | \$ 60.38 first unit | 10 | all units: | | all units: | | all units: | | all units: | | all units: | |
| per unit | \$ 40.12 add'l units | 10 | \$ 47.57 | 9 | \$ 44.28 | 8 | \$ 40.75 | 7 | \$ 37.81 | 6 | \$ 34.65 | 5 |
| % of Revenue from Base Charges: | | 68% | | 62% | | 56% | | 50% | | 45% | | 40% |

Volume Charges

| Existing Volume Charges (applicable to all classes) | Proposed Customer Class | Proposed Volume Charges | | | | |
|---|-------------------------|-------------------------|---------|---------|---------|---------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 |
| | Single Family | | | | | |
| | Block 1: 0-14 ccf | \$ 3.32 | \$ 3.78 | \$ 4.18 | \$ 4.45 | \$ 4.70 |
| Block 1: 0 - 500 ccf \$ 2.97 | Block 2: 14-40 ccf | \$ 3.57 | \$ 4.03 | \$ 4.43 | \$ 4.70 | \$ 4.95 |
| Block 2: 500 - 3,500 ccf \$ 2.90 | Block 3: over 40 ccf | \$ 4.57 | \$ 5.03 | \$ 5.43 | \$ 5.70 | \$ 5.95 |
| Block 3: 3,500 - 7,500 ccf \$ 1.60 | | | | | | |
| Block 4: 7,500 - 12,500 ccf \$ 1.25 | Multifamily | \$ 1.69 | \$ 2.02 | \$ 2.29 | \$ 2.41 | \$ 2.52 |
| Block 5: 12,500 - 17,500 ccf \$ 1.22 | | | | | | |
| Block 6: over 17,500 ccf \$ 1.05 | Commercial | \$ 3.50 | \$ 3.90 | \$ 4.30 | \$ 4.62 | \$ 4.95 |
| | Large Commercial | | | | | |
| | Block 1: 0-3,500 ccf | \$ 2.84 | \$ 2.79 | \$ 2.75 | \$ 2.73 | \$ 2.69 |
| | Block 2: over 3,500 ccf | \$ 1.80 | \$ 2.01 | \$ 2.23 | \$ 2.46 | |

Single Family 2014 Bi-Monthly Water Bills



Sample Single Family Water Bills

| Customer Class | Meter Size | Avg Bi-Monthly Usage | Average Bi-Monthly Bill | | | | | Total Bill Impact | |
|----------------------|------------|----------------------|-------------------------|-----------|-----------|-----------|-----------|-------------------|---------|
| | | | Current Rates | 2014 | 2015 | 2016 | 2017 | | 2018 |
| Single Family | | | | | | | | | |
| low use | 3/4" | 5.00 | \$ 60.38 | \$ 55.39 | \$ 51.55 | \$ 47.44 | \$ 44.02 | \$ 40.34 | |
| % bill impact | | | | -8.3% | -6.9% | -8.0% | -7.2% | -8.4% | -33.19% |
| average use | 3/4" | 16.00 | \$ 78.20 | \$ 79.10 | \$ 82.26 | \$ 85.61 | \$ 89.06 | \$ 92.50 | |
| % bill impact | | | | 1.1% | 4.0% | 4.1% | 4.0% | 3.9% | 18.29% |
| medium use | 1" | 23.50 | \$ 100.16 | \$ 103.77 | \$ 112.24 | \$ 117.25 | \$ 121.70 | \$ 125.95 | |
| % bill impact | | | | 3.6% | 8.2% | 4.5% | 3.8% | 3.5% | 25.75% |
| high use | 3/4" | 116.50 | \$ 376.69 | \$ 513.95 | \$ 563.35 | \$ 607.80 | \$ 638.33 | \$ 666.14 | |
| % bill impact | | | | 36.4% | 9.6% | 7.9% | 5.0% | 4.4% | 76.84% |

Sample Multifamily Water Bills

| Customer Class | # of Units | Meter Size | Avg Bi-Monthly Usage | Average Bi-Monthly Bill | | | | | | Total Bill Impact |
|----------------------|------------|------------|----------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| | | | | Current Rates | 2014 | 2015 | 2016 | 2017 | 2018 | |
| Multifamily | | | | | | | | | | |
| low use, low units | 3 | 3/4" | 19.00 | \$ 140.62 | \$ 142.72 | \$ 132.84 | \$ 122.25 | \$ 115.83 | \$ 114.02 | |
| % bill impact | | | | | 1.5% | -6.9% | -8.0% | -5.3% | -1.6% | -18.92% |
| low use, high units | 32 | 3/4" | 152.67 | \$ 1,304.10 | \$ 1,522.30 | \$ 1,416.97 | \$ 1,303.99 | \$ 1,209.81 | \$ 1,108.75 | |
| % bill impact | | | | | 16.7% | -6.9% | -8.0% | -7.2% | -8.4% | -14.98% |
| med use, med units | 18 | 1 1/2" | 150.50 | \$ 742.42 | \$ 856.29 | \$ 810.16 | \$ 789.65 | \$ 782.74 | \$ 776.06 | |
| % bill impact | | | | | 15.3% | -5.4% | -2.5% | -0.9% | -0.9% | 4.53% |
| high use, low units | 4 | 3/4" | 39.50 | \$ 180.74 | \$ 196.21 | \$ 192.25 | \$ 189.36 | \$ 188.51 | \$ 187.71 | |
| % bill impact | | | | | 8.6% | -2.0% | -1.5% | -0.4% | -0.4% | 3.86% |
| high use, high units | 62 | 3/4" | 612.50 | \$ 2,507.70 | \$ 3,041.75 | \$ 2,980.37 | \$ 2,935.60 | \$ 2,922.45 | \$ 2,910.16 | |
| % bill impact | | | | | 21.3% | -2.0% | -1.5% | -0.4% | -0.4% | 16.05% |
| high use, high units | 161 | 3" | 4,435.83 | \$ 14,674.50 | \$ 12,717.13 | \$ 13,478.59 | \$ 14,144.49 | \$ 14,432.31 | \$ 14,723.89 | |
| % bill impact | | | | | -13.3% | 6.0% | 4.9% | 2.0% | 2.0% | 0.34% |

Sample Commercial Water Bills

| Customer Class | Meter Size | Avg Bi-Monthly Usage | Average Bi-Monthly Bill | | | | | Total Bill Impact | |
|-------------------|------------|----------------------|-------------------------|-------------|-------------|-------------|-------------|-------------------|---------|
| | | | Current Rates | 2014 | 2015 | 2016 | 2017 | | 2018 |
| Commercial | | | | | | | | | |
| low use | 3/4" | 4.83 | \$ 60.38 | \$ 55.39 | \$ 51.55 | \$ 47.44 | \$ 44.02 | \$ 40.34 | |
| % bill impact | | | | -8.3% | -6.9% | -8.0% | -7.2% | -8.4% | -33.19% |
| low use | 3" | 5.50 | \$ 352.83 | \$ 323.65 | \$ 301.26 | \$ 277.24 | \$ 257.21 | \$ 235.73 | |
| % bill impact | | | | -8.3% | -6.9% | -8.0% | -7.2% | -8.4% | -33.19% |
| low use | 1" | 6.67 | \$ 68.97 | \$ 63.27 | \$ 58.89 | \$ 54.19 | \$ 50.28 | \$ 46.08 | |
| % bill impact | | | | -8.3% | -6.9% | -8.0% | -7.2% | -8.4% | -33.19% |
| medium use | 3/4" | 25.67 | \$ 106.91 | \$ 113.72 | \$ 120.47 | \$ 127.67 | \$ 134.96 | \$ 142.63 | |
| % bill impact | | | | 6.4% | 5.9% | 6.0% | 5.7% | 5.7% | 33.41% |
| medium use | 1" | 41.67 | \$ 154.11 | \$ 167.09 | \$ 182.42 | \$ 194.59 | \$ 205.96 | \$ 217.66 | |
| % bill impact | | | | 8.4% | 9.2% | 6.7% | 5.8% | 5.7% | 41.24% |
| medium use | 1 1/2" | 65.67 | \$ 226.64 | \$ 247.60 | \$ 268.34 | \$ 286.45 | \$ 308.72 | \$ 332.40 | |
| % bill impact | | | | 9.3% | 8.4% | 6.7% | 7.8% | 7.7% | 46.66% |
| high use | 2" | 272.00 | \$ 836.56 | \$ 959.35 | \$ 1,056.54 | \$ 1,159.43 | \$ 1,251.03 | \$ 1,339.89 | |
| % bill impact | | | | 14.7% | 10.1% | 9.7% | 7.9% | 7.1% | 60.17% |
| high use | 3/4" | 384.00 | \$ 1,171.16 | \$ 1,367.82 | \$ 1,518.32 | \$ 1,667.72 | \$ 1,792.00 | \$ 1,916.15 | |
| % bill impact | | | | 16.8% | 11.0% | 9.8% | 7.5% | 6.9% | 63.61% |
| high use | 4" | 446.83 | \$ 1,354.78 | \$ 1,516.90 | \$ 1,667.29 | \$ 1,827.45 | \$ 1,982.86 | \$ 2,146.67 | |
| % bill impact | | | | 12.0% | 9.9% | 9.6% | 8.5% | 8.3% | 58.45% |

Sample Large Commercial Water Bills

| Customer Class | Meter Size | Avg Bi-Monthly Usage | Average Bi-Monthly Bill | | | | | Total Bill Impact | |
|--|------------|----------------------|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------|
| | | | Current Rates | 2014 | 2015 | 2016 | 2017 | | 2018 |
| Large Commercial % bill impact | 8" | 9,076.50 | \$ 19,002 | \$ 20,034 5.5% | \$ 21,148 5.5% | \$ 22,307 5.5% | \$ 23,517 5.5% | \$ 24,776 5.5% | 30.38% |

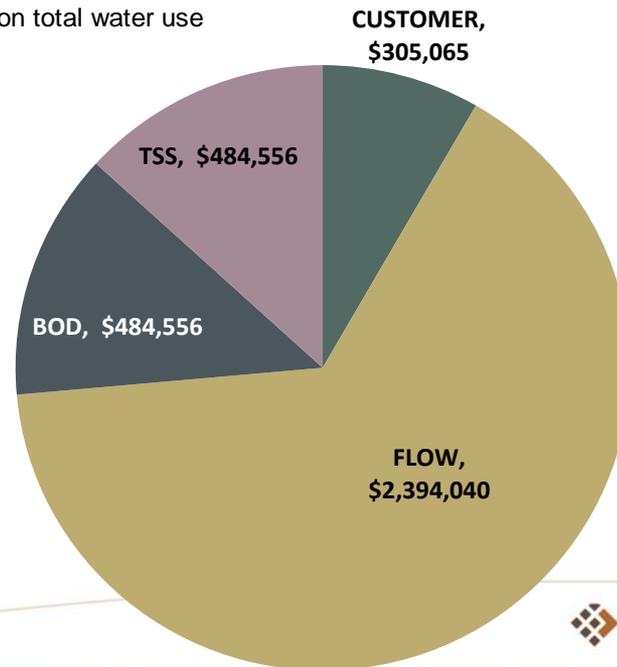
SEWER UTILITY

Sewer Cost Allocations by Class

| Functional Categories: | Customer | Flow | BOD | TSS | Total |
|---------------------------|----------------------|-----------------------|--------------------|--------------------|---------------|
| <i>Allocation Basis:</i> | <i>No. of Meters</i> | <i>Total Flow [a]</i> | <i>Wtd. Volume</i> | <i>Wtd. Volume</i> | |
| Single Family Residential | 81.5% | 82.6% | 81.3% | 81.3% | 82.1% |
| Multi-Family Residential | 17.5% | 15.2% | 15.0% | 15.0% | 15.3% |
| Commercial | 1.1% | 2.2% | 3.8% | 3.8% | 2.5% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

[a] Residential classes based on winter water average; commercial based on total water use

Total revenue requirement: \$3.7 million



Sewer Cost of Service Results

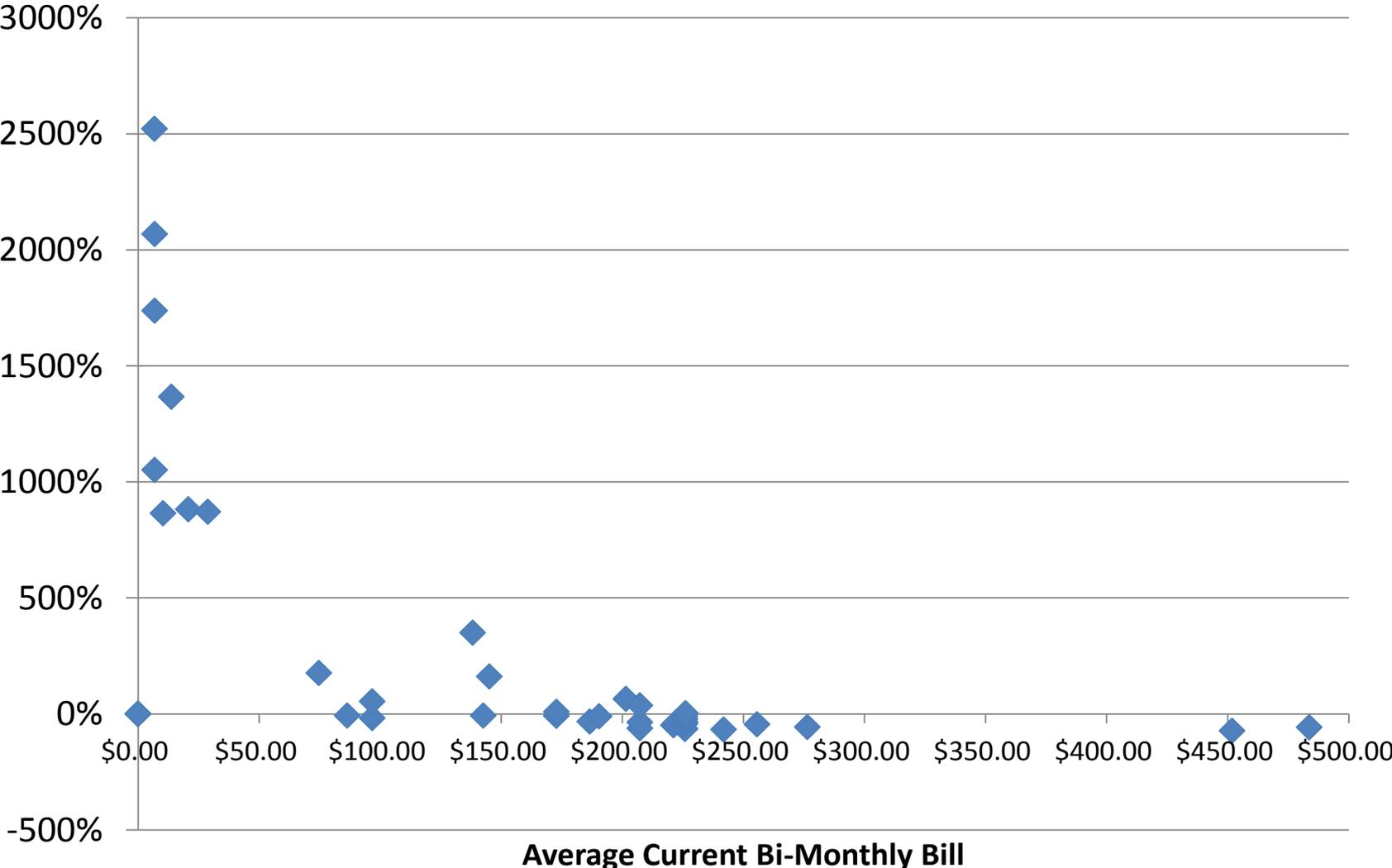
| Customer Classes | 2014 | | | 2018 | | |
|---------------------------|-----------------------------------|----------------------|----------------------------|---------------------------------------|----------------------|----------------------------------|
| | 2014 Revenue under Existing Rates | 2014 Cost of Service | 2014 Increase / (Decrease) | 2018 Revenue under Existing Rates [a] | 2018 Cost of Service | Cumulative Increase / (Decrease) |
| Single Family Residential | \$ 2,888,402 | \$ 3,013,309 | 4.3% | \$ 3,005,683 | \$ 3,262,521 | 8.5% |
| Multifamily | 551,238 | 562,525 | 2.0% | 573,620 | 608,464 | 6.1% |
| Commercial | 228,577 | 92,384 | -59.6% | 237,858 | 100,389 | -57.8% |
| TOTAL | \$ 3,668,217 | \$ 3,668,217 | 0.0% | \$ 3,817,161 | \$ 3,971,374 | 4.0% |

[a] Including cumulative growth

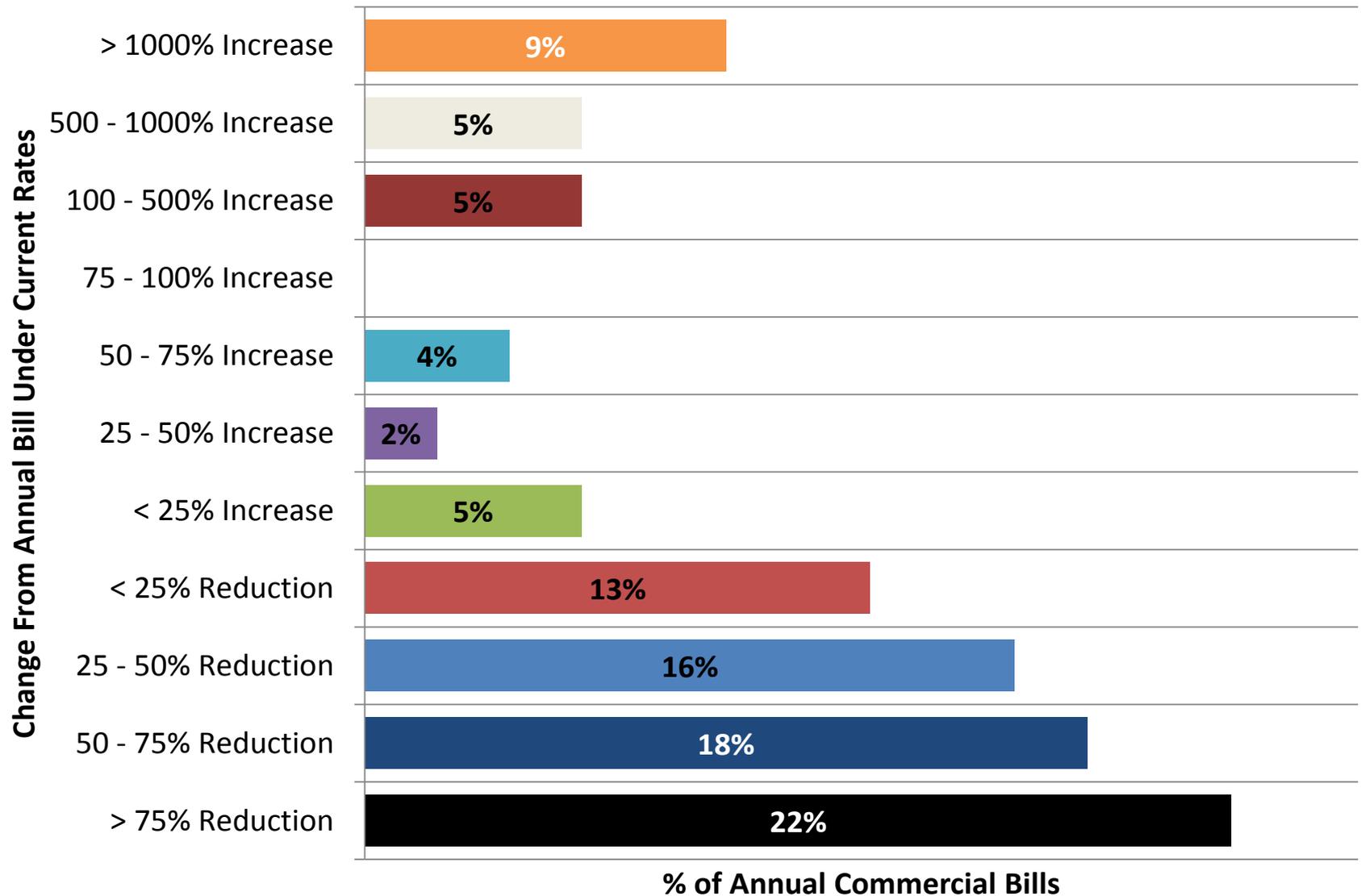
- Existing commercial rates not correlated to flow/strength patterns
- Significant customer impacts (increases and decreases) within the commercial class

| Unit Costs | Existing | 2014 Cost of Service |
|----------------------------------|----------------|------------------------|
| Single Family Residential | \$ 7.02 | \$ 7.32 |
| Multi-Family Residential | \$ 7.27 | \$ 7.42 |
| Commercial | \$ 23.97 | \$ 9.69 |
| Combined System Unit Cost | \$ 7.38 | \$ 7.38 0.0% |

% Change In Annual Commercial Bills:
2014 Cost of Service Rates vs. Current Rates



Commercial Bill Impacts: 2014 Cost of Service Rates vs. Current Rates



Sewer Rate Structure Goals

- Eliminate complex commercial flat rate structure
- Charge commercial customers based on contributed sewer flow (based on water usage) and strength concentration
- Move toward customer class cost of service rates while mitigating significant customer impacts

Sewer Rate Structures

EXISTING

- **Single family flat rate**
- **Multifamily flat rate equal to SFR rate for first dwelling unit and discounted rate per additional unit**
- **Commercial flat rates per unit varying by type of business**

PROPOSED

- **Maintain residential class-specific flat rates per unit; eliminate MFR additional unit charge**
- **Establish commercial minimum charge equal to SFR flat rate**
 - ✓ **Fixed charge equal to SFR rate less assumed SFR flow (14 ccf bi-month)**
 - ✓ **Volume rate applied to actual water usage above minimum**

Sewer Rate Strategy

- Maintain existing rate structures and apply proposed utility-wide rate increases across-the-board to existing rates
 - No increases (2014-2016)
 - 2.0% per year (2017-2018)

- Develop longer term strategy to improve equity issues while mitigating individual customer impacts
 - Continue to work with City staff to develop rational phase-in strategies to move toward cost of service by customer class over time (2015-2018)

 - Possibly maintain existing flat rate structure for current study period and defer design of commercial volume-based rates until next five-year rate study

Proposed Combined Single Family Bill Impacts (10 ccf Bi-Monthly)

| Average Bi-Monthly Bill | Existing Rates | 2014 Rates | 2015 Rates | 2016 Rates | 2017 Rates | 2018 Rates |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Water [a] | \$ 60.38 | \$ 58.89 | \$ 59.36 | \$ 60.34 | \$ 62.51 | \$ 65.09 |
| Sewer [b] | \$ 113.20 | \$ 113.20 | \$ 113.20 | \$ 113.20 | \$ 115.46 | \$ 117.77 |
| Storm [c] | \$ 24.02 | \$ 27.50 | \$ 31.48 | \$ 32.42 | \$ 33.40 | \$ 34.40 |
| Combined | \$ 197.60 | \$ 199.59 | \$ 204.04 | \$ 205.96 | \$ 211.38 | \$ 217.26 |
| Annual Increase (\$) | | \$ 1.99 | \$ 4.45 | \$ 1.93 | \$ 5.41 | \$ 5.88 |
| Cumulative Increase (\$) | | \$ 1.99 | \$ 6.44 | \$ 8.36 | \$ 13.78 | \$ 19.66 |
| Annual Increase (%) | | 1.0% | 2.2% | 0.9% | 2.6% | 2.8% |
| Cumulative Increase (%) | | 1.0% | 3.3% | 4.2% | 7.0% | 9.9% |

[a] Assumes 3/4" meter with bi-monthly average use of 10 ccf

[b] Assumes preliminary phase-in strategy; may change upon future analysis

[c] Incorporates adopted increases through 2015; assumes inflationary impacts (3%) 2016-2018

Proposed Combined Single Family Bill Impacts (16 ccf Bi-Monthly)

| Average Bi-Monthly Bill | Existing Rates | 2014 Rates | 2015 Rates | 2016 Rates | 2017 Rates | 2018 Rates |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Water [a] | \$ 78.20 | \$ 79.10 | \$ 82.26 | \$ 85.61 | \$ 89.06 | \$ 92.50 |
| Sewer [b] | \$ 113.20 | \$ 113.20 | \$ 113.20 | \$ 113.20 | \$ 115.46 | \$ 117.77 |
| Storm [c] | \$ 24.02 | \$ 27.50 | \$ 31.48 | \$ 32.42 | \$ 33.40 | \$ 34.40 |
| Combined | \$ 215.42 | \$ 219.80 | \$ 226.94 | \$ 231.23 | \$ 237.92 | \$ 244.68 |
| Annual Increase (\$) | | \$ 4.38 | \$ 7.14 | \$ 4.29 | \$ 6.69 | \$ 6.75 |
| Cumulative Increase (\$) | | \$ 4.38 | \$ 11.52 | \$ 15.81 | \$ 22.50 | \$ 29.26 |
| Annual Increase (%) | | 2.0% | 3.3% | 1.9% | 2.9% | 2.8% |
| Cumulative Increase (%) | | 2.0% | 5.3% | 7.3% | 10.4% | 13.6% |

[a] Assumes 3/4" meter with bi-monthly average use of 16 ccf

[b] Assumes preliminary phase-in strategy; may change upon future analysis

[c] Incorporates adopted increases through 2015; assumes inflationary impacts (3%) 2016-2018

Comparison of Water/Sewer Bi-Monthly Bills



Next Steps

- Incorporate findings from the “in progress” physical property audit of commercial and multifamily accounts (property description, meter type and size, etc.)
- Incorporate policy direction and finalize proposed water rates
- Continue work on sewer cost of service / rate strategies
- Update water/sewer SDCs
- Continue evaluation of CIP cost containment opportunities

Requested Policy Direction

- Water customer class cost of service strategies
- Water rate structure changes
- Sewer short and long-term cost service/rate strategies