



# Water Utility Rate Study



## Water Rate Adoption PUBLIC HEARING

October 11, 2016

Presented by: Robert Gordon (for Sarah Killgore)



# Recap

- ◆ Educational Ratesetting Workshop at the council meeting on July 26, 2016
- ◆ Water Rate Study Results presented to council at the workshop on August 30, 2016.
  - (3) Alternatives were presented to council
    - Baseline (critical capital needs only, no future investment)
    - Alternative 1 (critical capital and mainline replacement program)
    - Alternative 2 (all CIP recommended/forecasted in Water System Plan)
  - Request was made to bring back an alternative that used the debt level of Alternative 1 and the rate-funding level of Alternative 2, and spend-down of fund balance to minimum required level.
- ◆ Brief Report on September 13, 2016
- ◆ Administrative report on September 27, 2016
  - Council directed presentation for Alternatives 1 & 1a for Water Rate Hearing
- ◆ Tonight...Water Rate Hearing and Rate Adoption to be effective January 2017 billing cycle.



# Alternative Scenarios

	CIP	Debt Issues	Rate Funded Reinvestment
<b>Alternative 1</b>	Critical + High priority replacements + Ongoing Replacement	<ul style="list-style-type: none"><li>• \$4.3 M DOH (50% forgiveness \$1.5 M in 2017, \$650,000 in 2018)</li><li>• \$3.0 M Revenue bonds in 2017</li></ul>	\$50,000 to \$250,000
<b>Alternative 1a</b>	Baseline + Ongoing Replacement	<ul style="list-style-type: none"><li>• \$4.3 M DOH</li><li>• \$2.0 M revenue bonds in 2017</li></ul>	\$100,000 to \$500,000

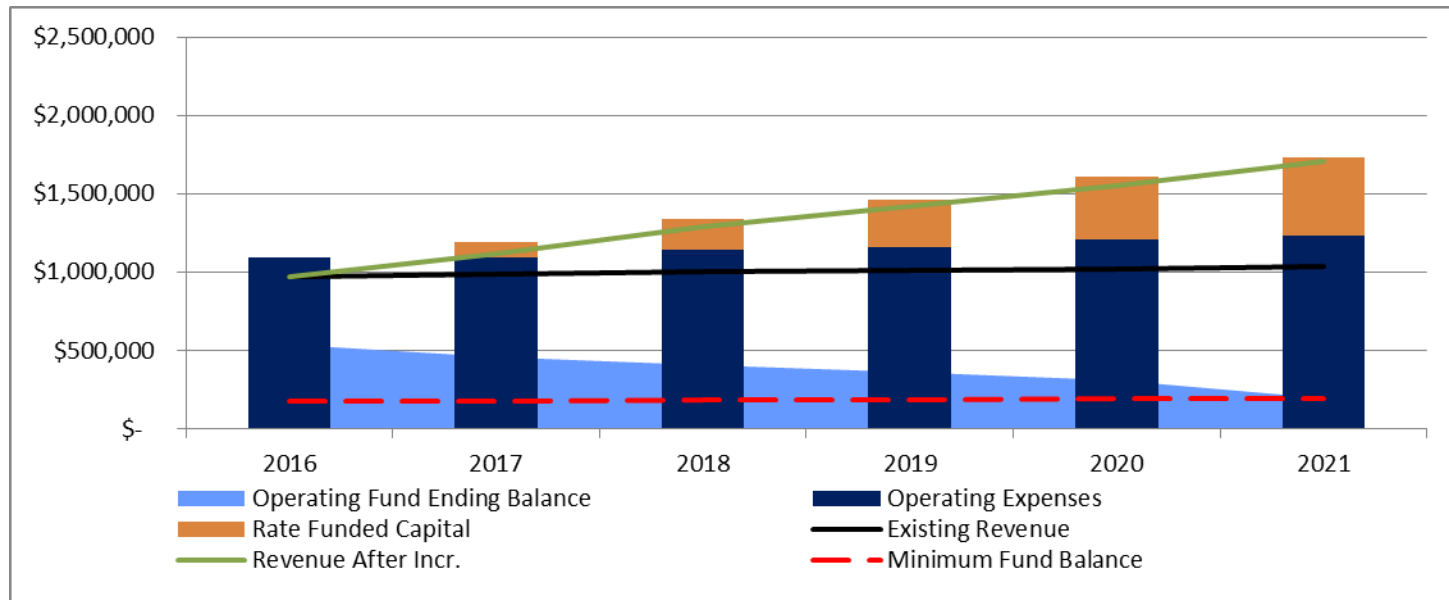


# CIP Alternative Details

Critical	\$ 7,257,625	Alternative 1 / 1a	\$ 9,195,939	Full CIP	\$ 12,181,827
Main Rplcmt (5 yr total)	\$ 1,562,165	<i>Critical CIP</i>	\$ 7,257,625	<i>Critical CIP</i>	\$ 7,257,625
SE Sky Ave 8" 2018	\$ 97,913	Additional Rplmt (5 yr total)	\$ 1,938,313	Additional Rplmt (5 yr total)	\$ 1,571,216
SE 12th St./SE Mt View 2018	\$ 290,156			SE 12th St. Main, 2021	\$ 135,814
SE Dewey Dr. 8" 2018	\$ 208,960			NE Lambert Rd Main 2019	\$ 231,283
System Plan 2020	\$ 109,005			Eastside Pump Adjs 2019	\$ 83,656
Water Use Effic. 2017	\$ 6,953			Zone 3 Conv to Zone 2 2019	\$ 41,827
Water Consolid. 2017	\$ 61,818			Emer Intertie w/ Walla Walla 2019	\$ 249,737
Well1 Replc Facility 2018	\$ 1,424,549			Annual PRV Test 2017	\$ 1,159
Well1 Replc Shaft 2018	\$ 929,884			West-side Reservoir Predesign 2017	\$ 115,894
Well1 Decomm. 2018	\$ 75,367			Water Suplly Study 2016	\$ 34,768
Emerg. Loop Line 2018	\$ 1,894,798			Water Plan Amend 2016	\$ 17,089
Well2 Investig. 2016	\$ 50,000			Hydraulic Model 2019	\$ 15,993
C St. Improv. 2017	\$ 546,057			Well2 Shaft 2019	\$ 958,057
				Well2 Rplcmt Shaft 2019	\$ 1,467,708



# Operating Revenue Requirement (Alternative 1a)



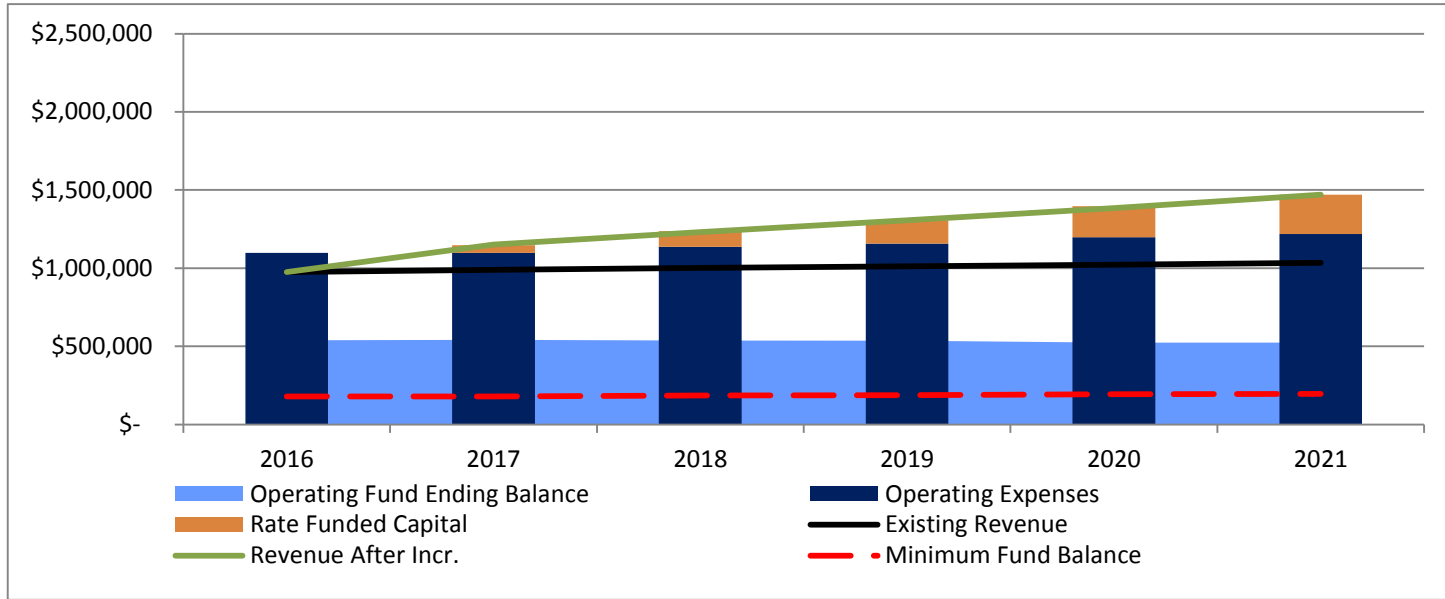
Sample Bill Impact	Existing	2017	2018	2019	2020	2021
Proposed Increases		15.00%	15.00%	9.00%	9.00%	9.00%
Residential Mo. Bill	\$ 20.15	\$ 23.17	\$ 26.65	\$ 29.05	\$ 31.66	\$ 34.51
<b>Difference</b>		<b>\$ 3.02</b>	<b>\$ 3.48</b>	<b>\$ 2.40</b>	<b>\$ 2.61</b>	<b>\$ 2.85</b>

Note: Sample bill for residential customer using 9,000 gallons per month

- ◆ Existing annual revenue inadequate to cover operating expenses
- ◆ Begin funding capital from rates (\$100K - \$500K per year)



# Operating Revenue Requirement (Alternative 1)



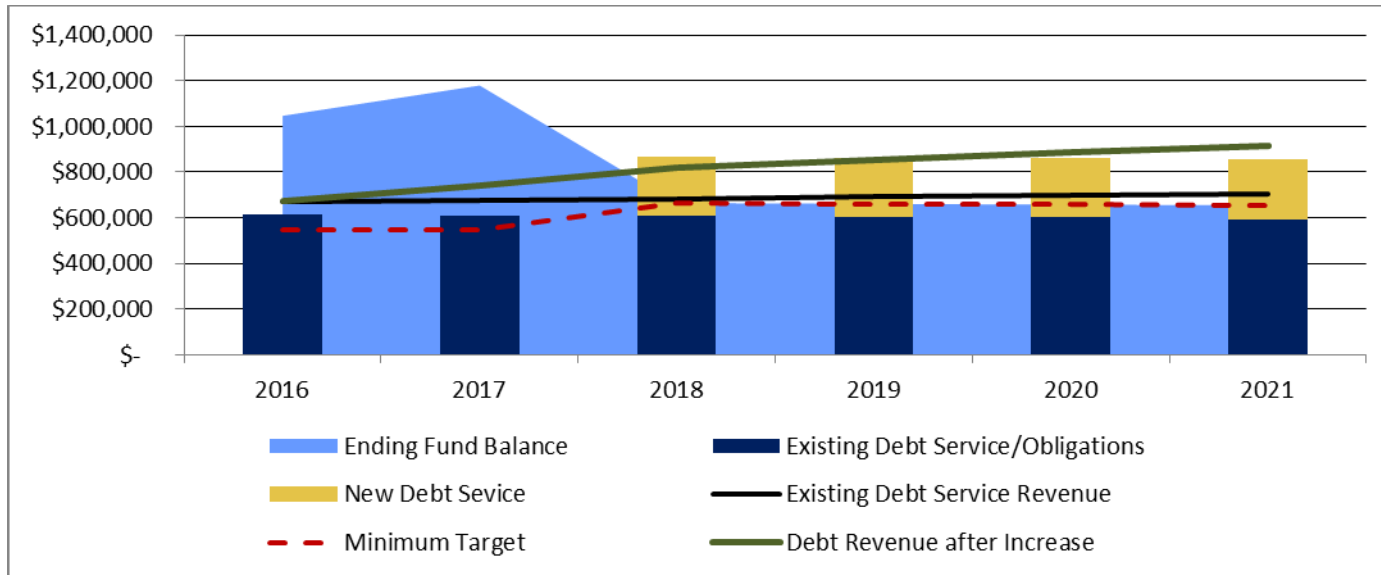
Sample Bill Impact	Existing	2017	2018	2019	2020	2021
Proposed Increases		19.00%	5.25%	5.25%	5.25%	5.25%
Residential Mo. Bill	\$ 20.15	\$ 23.98	\$ 25.24	\$ 26.57	\$ 27.96	\$ 29.43
<b>Difference</b>		<b>\$ 3.83</b>	<b>\$ 1.26</b>	<b>\$ 1.33</b>	<b>\$ 1.39</b>	<b>\$ 1.47</b>

Note: Sample bill for residential customer using 9,000 gallons per month

- ◆ Existing annual revenue inadequate to cover operating expenses
- ◆ Begin funding capital from rates (\$50K - \$250K per year)



# Alt 1a - Debt Service Requirement



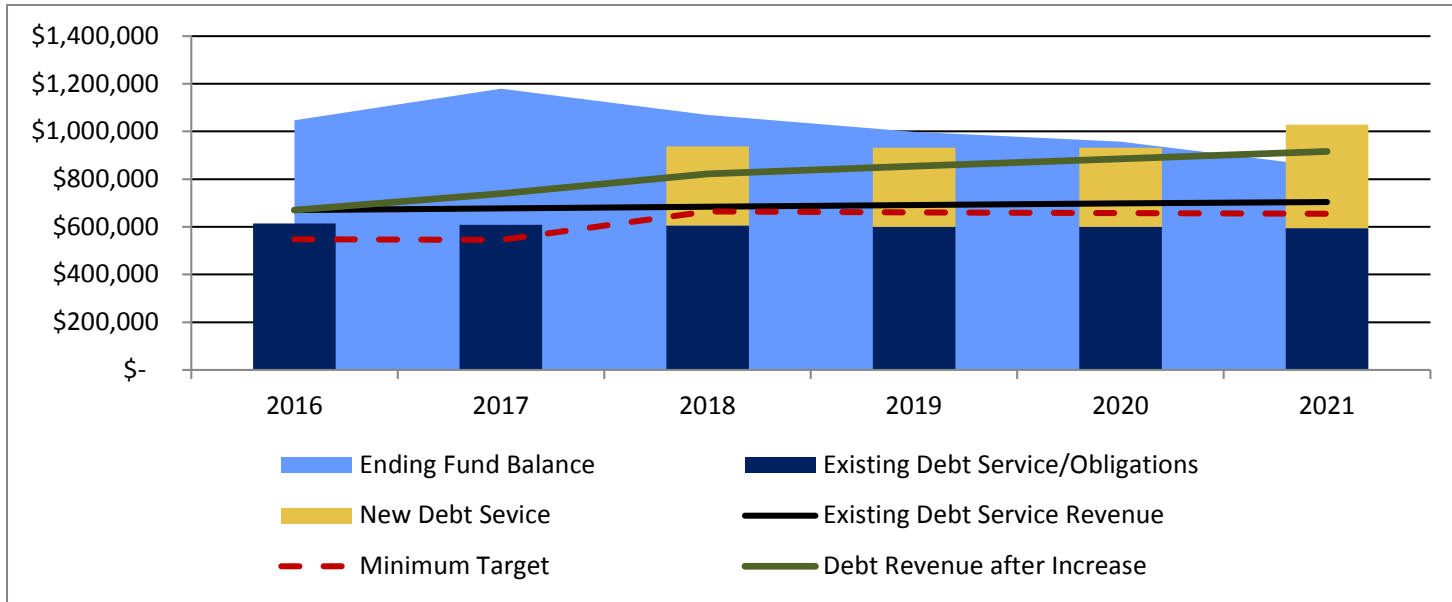
Sample Bill Impact	Existing	2017	2018	2019	2020	2021
Proposed Increases		10.00%	10.00%	2.50%	2.50%	2.50%
Residential Mo. Bill	\$ 16.00	\$ 17.60	\$ 19.36	\$ 19.84	\$ 20.34	\$ 20.85
<i>Difference</i>		\$ 1.60	\$ 1.76	\$ 0.48	\$ 0.50	\$ 0.51

Note: Sample bill for residential customer

- ◆ Fund balances used to meet debt service needs and phase-in rate increases
- ◆ Debt fund supports existing and new debt obligations
- ◆ Minimum target set at one year annual non-revenue bond debt service



# Alt 1 - Debt Service Requirement



Sample Bill Impact	Existing	2017	2018	2019	2020	2021
Proposed Increases		10.00%	10.00%	2.50%	2.50%	2.50%
Residential Mo. Bill	\$ 16.00	\$ 17.60	\$ 19.36	\$ 19.84	\$ 20.34	\$ 20.85
<i>Difference</i>		\$ 1.60	\$ 1.76	\$ 0.48	\$ 0.50	\$ 0.51

Note: Sample bill for residential customer

- ◆ Increasing rates to begin to cover new debt service requirements
- ◆ Fund balances used to meet debt service needs and phase-in rate increase
- ◆ Minimum target set at one year annual non-revenue bond debt service





# Alternative Bill Comparisons

- ◆ Bill includes both operating rate increase (base rate and usage rate) plus debt service rate increase
- ◆ Actual individual customer bills may vary depending on class and usage

Total Bill	Existing	2017	2018	2019	2020	2021
Alt 1- Critical + High Priority Rplc + Low Rate Reinvest	\$ 36.15	\$ 41.58	\$ 44.60	\$ 47.86	\$ 50.42	\$ 53.13
Alt 1a - Critical + Replac + Medium Rate Reinvest		\$ 40.77	\$ 46.01	\$ 48.89	\$ 52.00	\$ 55.36

**Note:** Sample bill for residential customer using 9,000 gallons per month

Monthly Change in Rates	Existing	2017	2018	2019	2020	2021
Alt 1- Critical + High Priority Rplc + Low Rate Reinvest	\$ 36.15	\$ 5.43	\$ 3.02	\$ 3.26	\$ 2.57	\$ 2.70
Alt 1a - Critical + Replac + Medium Rate Reinvest		\$ 4.62	\$ 5.24	\$ 2.88	\$ 3.11	\$ 3.36

Change from Existing Bill	Existing	2017	2018	2019	2020	2021
Existing	\$ 36.15	\$ 36.15	\$ 36.15	\$ 36.15	\$ 36.15	\$ 36.15
Alt 1- Critical + High Priority Rplc + Low Rate Reinvest		\$ 5.43	\$ 8.45	\$ 11.71	\$ 14.27	\$ 16.98
Alt 1a - Critical + Replac + Medium Rate Reinvest		\$ 4.62	\$ 9.86	\$ 12.74	\$ 15.85	\$ 19.21



# Alternative Key Factors

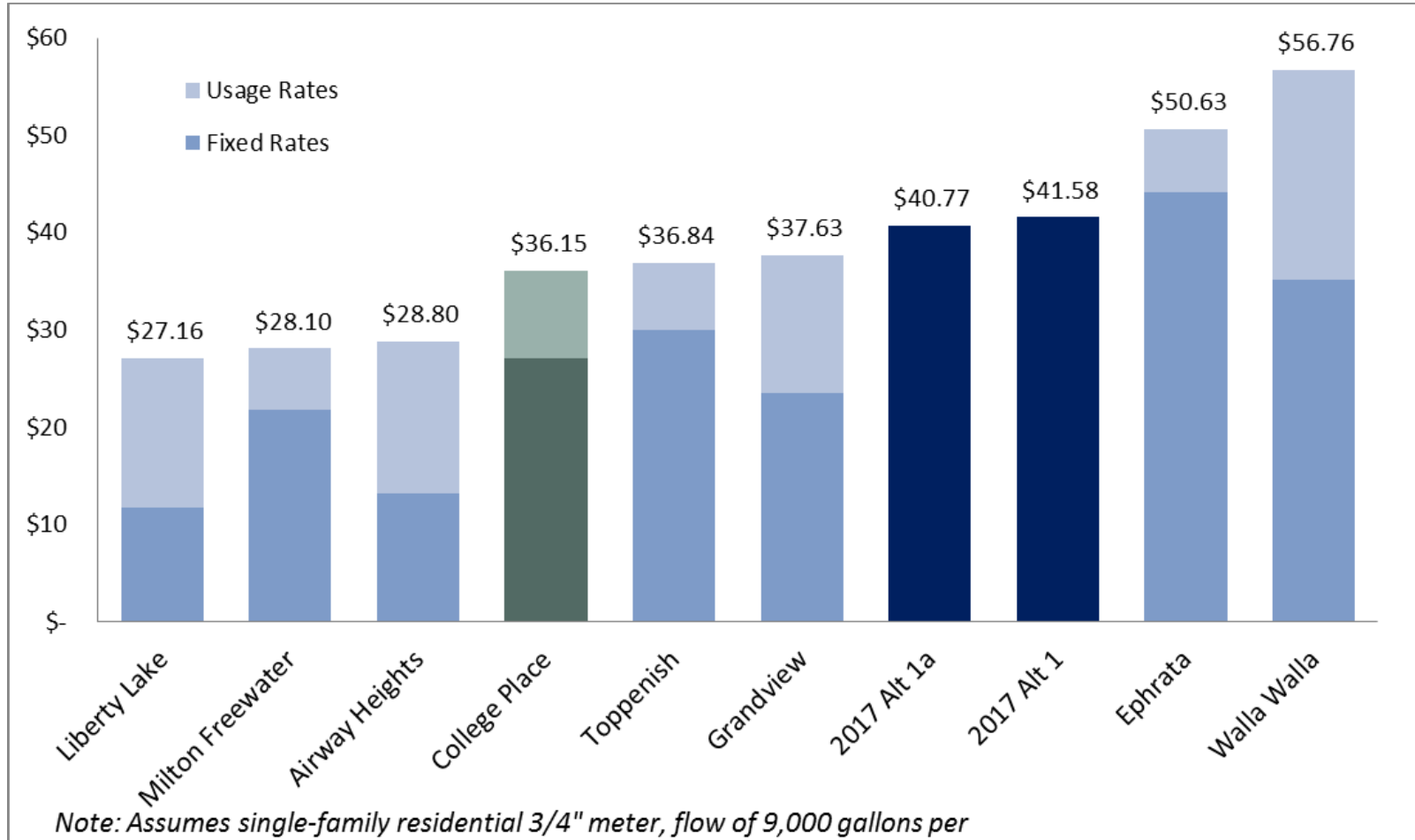
Key Differentiating Factors	2016	2017	2018	2019	2020	2021	2022-2036	Total
<b>TOTAL CAPITAL</b>								
Alt 1- Critical + High Priority Rplc + Low Rate Reinvest	\$ 50,000	\$ 1,305,191	\$ 4,939,020	\$ 719,215	\$ 821,061	\$ 729,245	\$ 11,596,390	\$ 20,160,122
Alt 1a - Critical + Replac + Medium Rate Reinvest	\$ 50,000	\$ 1,305,191	\$ 4,939,020	\$ 719,215	\$ 821,061	\$ 729,245	\$ 11,596,390	\$ 20,160,122
<b>RATE FUNDED CAPITAL</b>								
Alt 1- Critical + High Priority Rplc + Low Rate Reinvest	\$ -	\$ 50,000	\$ 100,000	\$ 150,000	\$ 200,000	\$ 250,000	\$ 9,750,000	\$ 10,500,000
Alt 1a - Critical + Replac + Medium Rate Reinvest	\$ -	\$ 100,000	\$ 200,000	\$ 300,000	\$ 400,000	\$ 500,000	\$ 17,400,000	\$ 18,900,000
<b>DEBT PROCEEDS</b>								
Alt 1- Critical + High Priority Rplc + Low Rate Reinvest	\$ -	\$ 4,500,000	\$ 650,000	\$ -	\$ -	\$ 1,648,800	\$ -	\$ 6,798,800
Alt 1a - Critical + Replac + Medium Rate Reinvest	\$ -	\$ 3,500,000	\$ 650,000	\$ -	\$ -	\$ -	\$ -	\$ 4,150,000

Total Cost of Debt over Time		
	2016-2036	2016-2021
Alternative 1	\$ 8,404,915	\$ 1,456,106
Alternative 1a	\$ 4,971,660	\$ 1,046,665

- ◆ Zero rate funded capital in baseline alternative
- ◆ Rate funded capital allows for less debt over time



# Residential Bill Comparison (2016 monthly rates)





## Next Steps

- ◆ Select and adopt proposed water rates (tonight).
- ◆ Implement with the January 2017 billing period
- ◆ Questions?



**THANK YOU!**