



Public Hearing



Water Utility Cost of Service Rate Study

Presented by:
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November 12, 2019



Discussion Outline

- ◆ **Background**
- ◆ **Overview of rate study process**
- ◆ **Summary of results**
- ◆ **Discussion / Input**
- ◆ **Next Steps**



Background

- ◆ **Study commenced in mid 2018**
 - Includes acquisition of Thurston systems, over 70 systems combined
- ◆ **Presented draft findings to the Board on April 9 – direction provided:**
 - No new debt
 - Deferred capital to address rate affordability
 - “One system” approach for cost of service rate making
- ◆ **Presented updated findings to the Board April 23 direction provided:**
 - Ramping overall rate increase
- ◆ **Additional direction provided by the Board on August 19:**
 - Progress towards cost of service
- ◆ **Presented rate design recommendations to the Board on September 10**



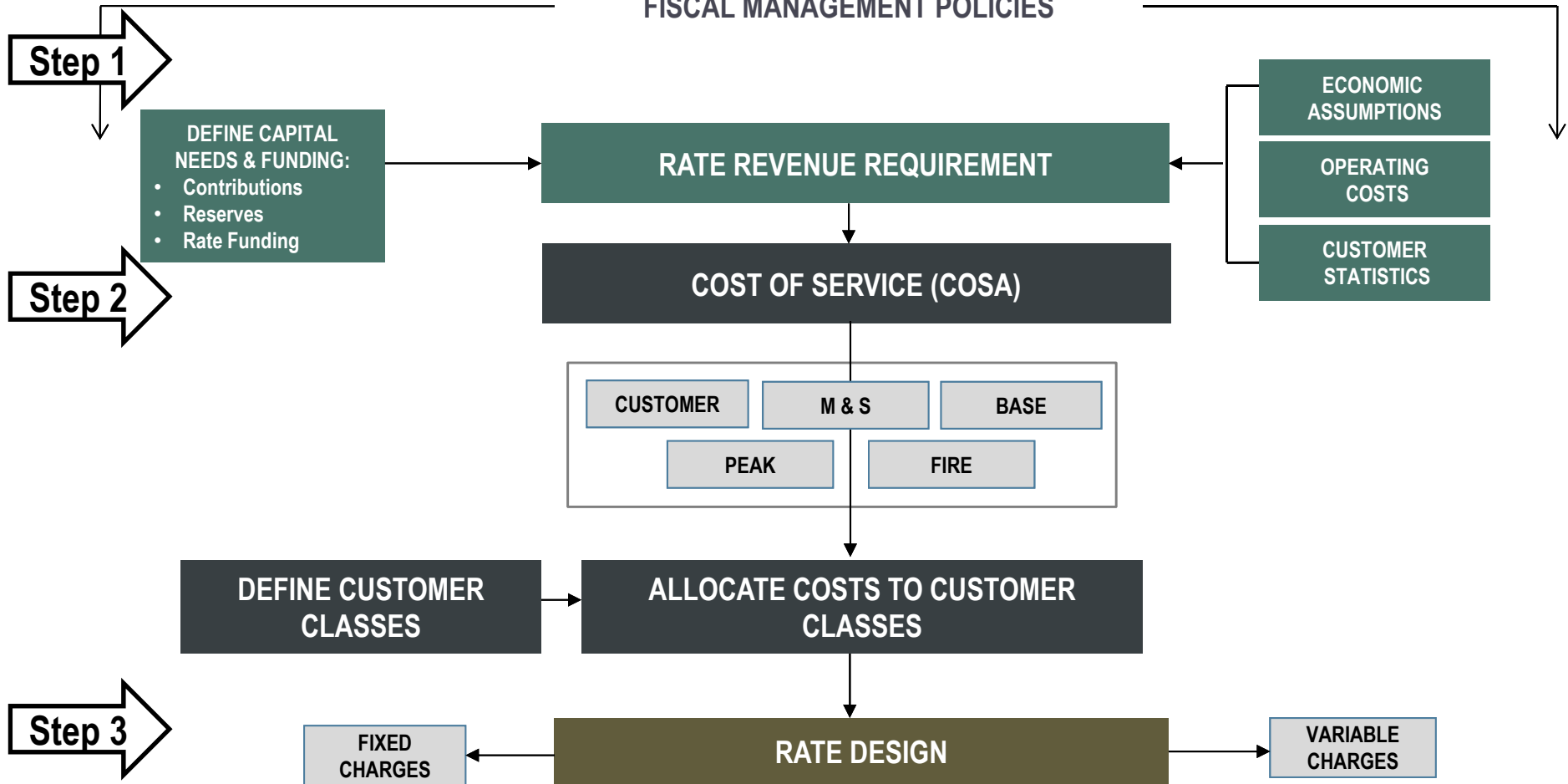
Legal Authority for Rate Setting

- ◆ **RCW 54.24.080**
- ◆ (1) The commission of each district which shall have revenue obligations outstanding shall have the power and shall be required to establish, maintain, and collect rates or charges for electric energy and water and other services, facilities, and commodities sold, furnished, or supplied by the district. The rates and charges shall be fair and, except as authorized by RCW 74.38.070 and by subsections (2) and (3) of this section, nondiscriminatory, and shall be adequate to provide revenues sufficient for the payment of the principal of and interest on such revenue obligations for which the payment has not otherwise been provided and all payments which the district is obligated to set aside in any special fund or funds created for such purpose, and for the proper operation and maintenance of the public utility and all necessary repairs, replacements, and renewals thereof.
- ◆ (3) In establishing rates or charges for water service, commissioners may in their discretion consider the achievement of water conservation goals and the discouragement of wasteful water use practices.



Overview of Rate Study Process

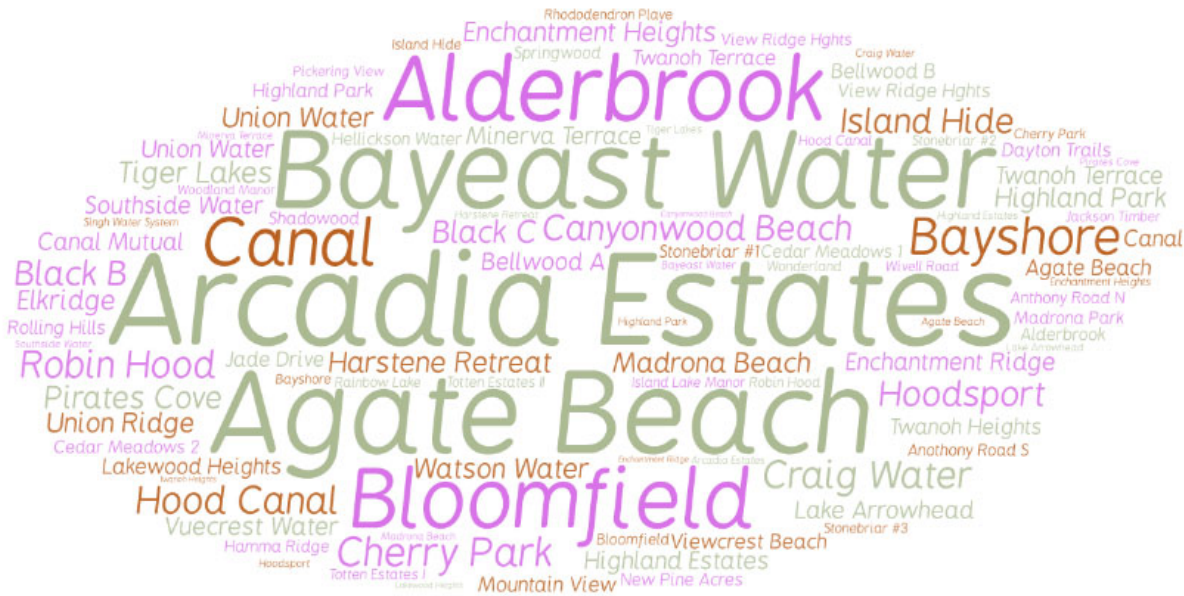
FISCAL MANAGEMENT POLICIES





Study Considerations

Over 70 Existing Water Systems
with different charges

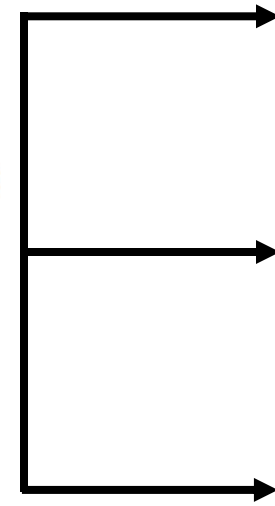


One System
(Class-Based Charges)

Residential /
Small Commercial

Large Commercial

Irrigation

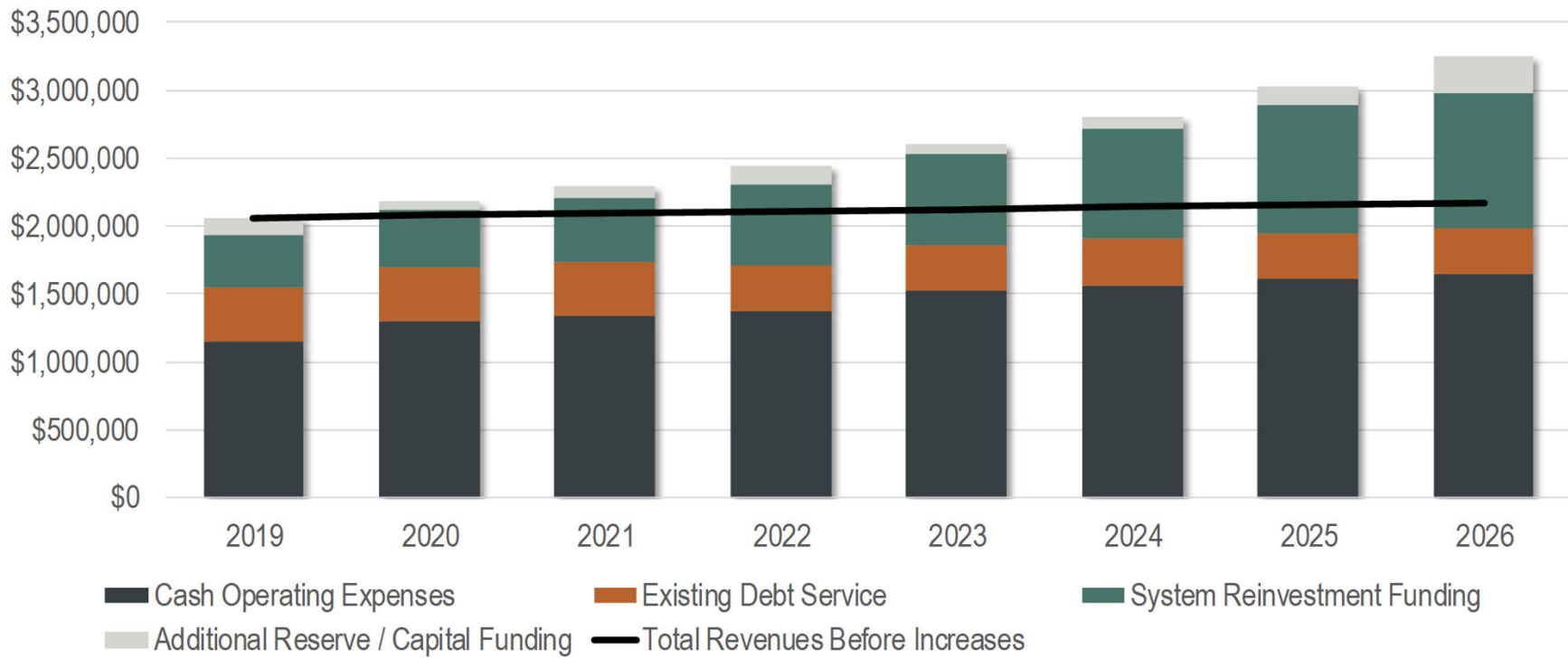




Summary of Results



Revenue Requirement



Description	2020	2021	2022	2023	2024	2025	2026
Proposed Increase	5.00%	5.00%	6.00%	6.00%	7.00%	7.00%	7.00%



Cost of Service

Class of Service	Full COSA	Phase-In						
	2020	2020	2021	2022	2023	2024	2025	2026
Residential	-0.8%	5.0%	5.0%	6.0%	6.0%	7.0%	7.0%	7.0%
Large Non-Residential	-41.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Irrigation	178.5%	10.0%	10.0%	11.0%	11.0%	12.0%	12.0%	12.0%
Fill Charge	65.9%	66.3%	5.3%	6.3%	6.3%	7.3%	7.3%	7.3%
Total	5.0%	5.0%	5.0%	6.0%	6.0%	7.0%	7.0%	7.0%



Residential / Small Commercial

	Existing 2019	Proposed 2020
Meter Charge (\$ per Month)		
	Varies by system (ranges from \$41 to \$72)	\$51.12
Usage Charge (\$ per ccf)		
0 to 400 CF	\$0.00	\$0.00
401 to 1,000 CF	\$1.96	\$2.05
1,001+ CF	\$2.44	\$2.55



Large Commercial

	Existing* 2019	Proposed 2020
Meter Charge (\$ per Month)		
5/8"		\$70.04
3/4"		\$105.05
1"		\$175.09
1 1/2"		\$350.18
2"	\$610.54	\$560.29
3"		\$1,050.55
4"		\$1,750.91
6"		\$3,501.83
8"	\$5,552.68	\$5,602.93
Usage Charge (\$ per ccf)		
Block 1	\$0.00	\$2.07
Block 2	\$1.96	\$2.07
Block 3	\$2.44	\$2.07

Note: 2019 rates based on ERUs (not meter size). Block 1 allowances are system - and customer-specific



Irrigation

	Existing* 2019	Proposed 2020
Meter Charge (\$ per Month)		
	\$4,069.87	\$4,476.86
Usage Charge (\$ per ccf)		
	\$1.14	\$1.25

Note: Irrigation customer is currently billed one fixed charge for all meters. Beginning in 2020, the fixed charge will be based on the number of meters. In 2020, the monthly fixed charge per 2" meter is \$298.46



System Development Fees

Description	SDF
Existing Charge per ERU:	\$ 2,957
Proposed Charge per ERU:	\$ 4,733
Increase from Existing Charge:	1,776

Note:

[1] Existing charge based on weighted average for all systems

[2] Existing fees vary by system



Next Steps

- ◆ **Board review and adoption of resolution to implement:**
 - Class based rates
 - System wide connection charges
- ◆ **Rates effective January 2020**



Questions/Discussion