Western Hills Water District
Water Rate Update

Town Hall Meeting

May 20, 2015

Agenda

- Purpose of the meeting

- Study Process & Background

- Revenue Requirements

- Cost of Service Analysis

- Rate Design

- Bill Comparisons (current vs proposed rates)

- Summary

- Questions & Discussion

Purpose of the Meeting

- Inform rate payers of the current rate study

- Present preliminary analysis to facilitate brainstorming
  - Present a range of hypothetical examples
  - Incorporate industry standards
  - Focus on refinements that look forward

- Elicit input from rate payers

- Meeting duration – 90 minutes

Study Process

- ## Kickoff meeting – October 6, 2014
  - ### Preliminary analysis
    - Revenue requirements, cost of service analysis, rate design

- ## Town Hall meeting – May 20, 2015
  - ### Discuss preliminary analysis
  - ### Receive public input

- ## Board Workshop
  - ### Present report
  - ### Board authorizes mailing notices to rate payers

- ## Protest Hearing
 - ### Board adopts rates if no majority protest

Background

- Ad Hoc Water Committee completed review of usage and cost data – February 2011

- District adopted water rate increases – June 2011

	FY 11-12	FY 12-13	FY 13-14	FY 14-15**
Treated – Residential				
Service charge	$51.67	$68.34	$85.00	$87.55
Usage charge $/HCF*	$1.25	$1.25	$1.25	$1.29
Treated – Commercial				
Usage charge $/HCF*	$1.65	$3.30	$4.95	$5.10
Raw Water				
Usage charge $/AF*	$1,075.00	$1,275.00	$1,475.00	$1,519.25

- HCF = hundred cubic feet = 748 gallons, also referred to as CCF
- AF = 435.6 HCF

** 3% CPI increase over FY 13-14

Projected Revenue Requirements
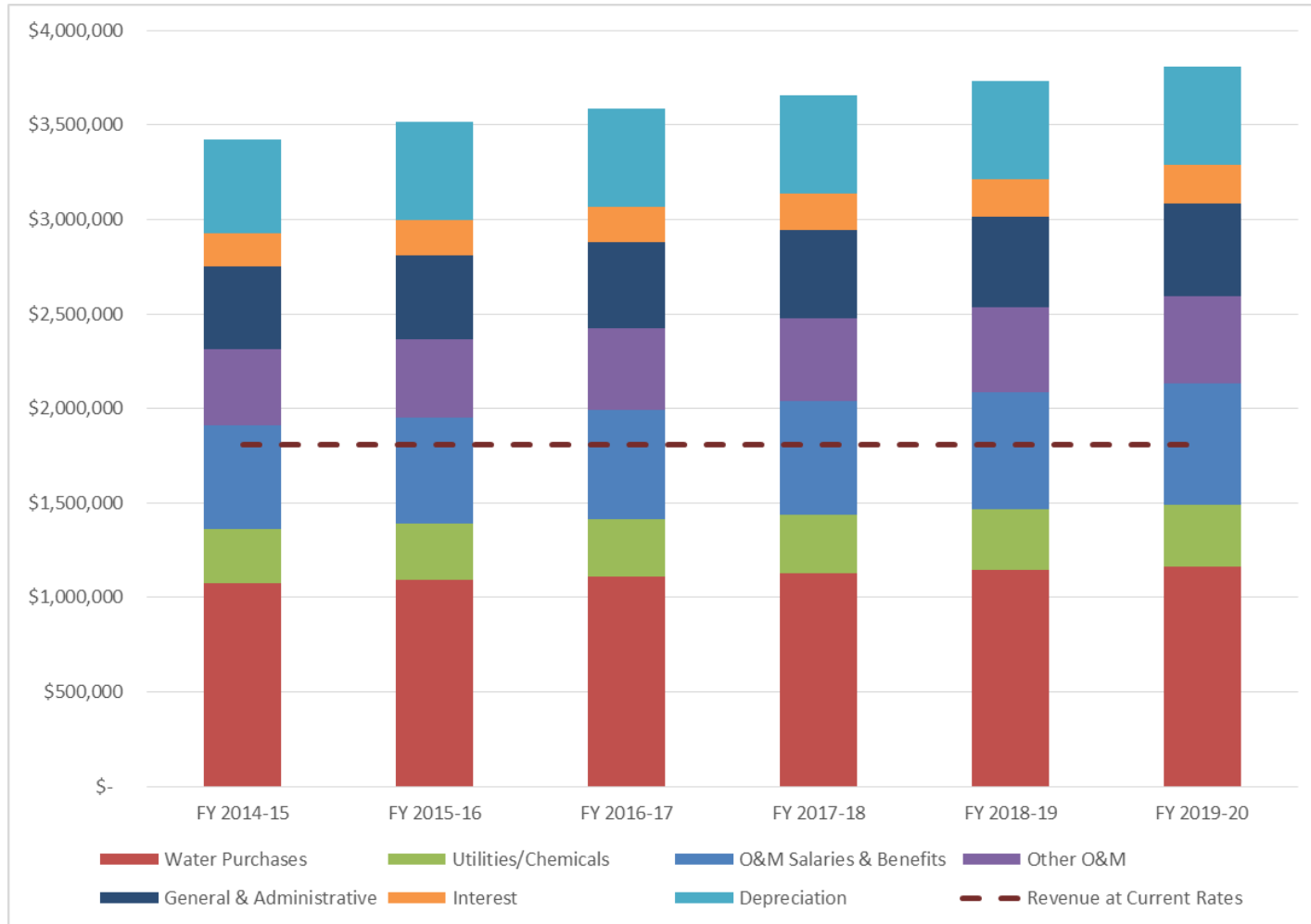
Cost of Service Allocation Summary

Customer Class	FY2015-16 Cost of Service	Estimated Revenue at Current Rates	Difference
Treated Water	$1,935,301	$605,466	($1,329,835)
Raw Water	$1,581,186	$1,202,113	($379,073)
Total	$3,516,487	$1,807,579	($1,708,907)

- Revenue from treated water customers covers one-third of the estimated cost of service.

- The results reflect current development and will change significantly with future development.

Current Rate Structure

Rate Structure	Service Charge		Usage Charge	
	Per Month	% of Revenue	Per ccf/mo.	% of Revenue
Treated Water				
Residential	$87.55	80%	$1.29	20%
HOA	$0.00	0%	$5.10	100%
Non-residential	$0.00	0%	$5.10	100%
Combined		76%		24%
Raw Water	$0.00	0%	$3.49	100%
			= $1,519.25/AF	

Observations:
- Industry standard: revenue from service charges should be ~30%.
- Industry standard: all services should pay service charges.
- Industry standard: service charges should be proportionate to size of connection.
- Current revenue < cost of service.

Alt. 1 – Revised Structure at COS (current development)

Rate Structure	Service Charge		Usage Charge	
	Per Month	% of Revenue	Per ccf/mo.	% of Revenue
Alt 1 - Revised structure at COS (current development)				
Treated Water				
Residential	$87.55	28%	$17.98	72%
HOA	$466.93	28%	$17.98	72%
Non-residential	$466.93	48%	$17.98	52%
Combined		30%		70%
Raw Water	$466.93	0.7%	$4.56	99.3%
			= $1,984.17/AF	

Observations:
- Service charges for all users.
- Treated water service charges ~30% of total treated water customer revenue.
- Treated water charges equal for all classes.
- Total revenue = cost of service.
- Current development covers a portion of capacity for future development.

Residential Bill Impact Analysis	Current Bill	Alternative #1 Bill	$ Change	% Change
Low (6.7ccf/mo.)	$96.25	$208.80	$112.55	117%
Average (13.5ccf/mo.)	$104.94	$330.05	$225.10	214%
High (20.2 ccf/mo.)	$113.64	$451.30	$337.66	297%

78% of customers use no more than average

NOT PROPOSED

Alt. 2 – Revised Structure at COS (buildout)

Rate Structure	Service Charge		Usage Charge	
	Per Month	% of Revenue	Per ccf/mo.	% of Revenue
Alt 2 - Revised structure at COS (@ est. buildout)				
Treated Water				
Residential	$35.00	29%	$6.34	71%
HOA	$186.67	29%	$6.34	71%
Non-residential	$186.67	51%	$6.34	49%
Combined		30%		70%
Raw Water	$186.67	0.3%	$3.94	99.7%
			= $1,715.47/AF	

Observations:
- Service charges for all users.
- Treated water service charges ~30% of total treated water customer revenue.
- Total revenue = total future costs.
- Attempts to show rates at buildout with 2,000 more residential customers and the associated additional costs.

Residential Bill Impact Analysis	Current Bill	Alternative #2 Bill	$ Change	% Change
Low (6.7ccf/mo.)	$96.25	$77.72	-$18.53	-19%
Average (13.5ccf/mo.)	$104.94	$120.44	$15.49	15%
High (20.2 ccf/mo.)	$113.64	$163.16	$49.52	44%

NOT PROPOSED

Alt. 3 – Revised Structure at Same Revenue

Rate Structure	Service Charge		Usage Charge	
	Per Month	% of Revenue	Per ccf/mo.	% of Revenue
Alt 3 - Revised structure at same revenue				
Treated Water				
Residential	$35.00	34%	$5.44	66%
HOA	$186.67	34%	$5.44	66%
Non-residential	$186.67	55%	$5.44	45%
Combined		36%		64%
Raw Water	$186.67	0.4%	$3.48	99.6%
			= $1,514.80/AF	

Observations:

- Service Charges for all classes.
- Treated water service charges closer to 30% of total treated water revenue.
- Treated water usage charges equal for all classes.
- Total revenue < cost of service.

Residential Bill Impact Analysis	Current Bill	Alternative #3 Bill	$ Change	% Change
Low (6.7ccf/mo.)	$96.25	$71.66	-$24.59	-26%
Average (13.5ccf/mo.)	$104.94	$108.32	$3.38	3%
High (20.2 ccf/mo.)	$113.64	$144.98	$31.34	28%

EXAMPLE – NO PROVISION FOR FUTURE COSTS

Summary

- Current rate revenue is less than the cost of service.

- Current rate structure does not reflect industry standards.

  – Service and usage charges could be aligned closer to cost structure

- Rate structure modifications can be gradually made in conjunction with rate increases.

- Proposed rates will be developed that reflect input from rate payers and staff.

  – Presentation to Board will provide next opportunity for public input

QUESTIONS & DISCUSSION

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