

**DATE:** January 24, 2006

**STAFF:** Michael Smith  
Terri Bryant

## **WORK SESSION ITEM FORT COLLINS CITY COUNCIL**

### **SUBJECT FOR DISCUSSION**

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Single Family / Duplex Water Rate Alternatives.

### **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

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1. Does Council believe there is a compelling need to change the existing water rate structure? If so, what result(s) or outcome(s) would the Council like to achieve by changing the existing water rate structure?
2. Are there any other water rate structures which the staff has not presented that the Council would like to review?
3. Is there any additional information Council would like on this issue?

### **BACKGROUND**

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#### **History of Water Rate Changes (Single-Family/Duplex):**

2002 – Single-family/duplex water rates were uniform with a \$14.69 fixed charge per month.

January 2003 - A 5-Tier water rate for single-family duplex water rates went into effect. Fixed charge reduced to \$12.72 per month. 20% increase between tiers.

May 2004 – The 5-tier water rate was revised to a 4- tier rate to reduce the impact on the highest water users. Fixed charge remained at \$12.72 per month. 20% increase between tiers.

May 10, 2005 - Council members voiced support at a work session to change water rates effective for the summer of 2005.

May 24, 2005 – After receiving follow-up information from staff on rate options, Council requested staff to prepare an ordinance to return to a uniform rate.

In response, staff prepared Ordinance No. 076 amending the single family/ duplex water rate by eliminating the tiers and returning to a uniform water rate. After discussion by Council on July 5, 2005 the change to water rates was postponed indefinitely by a 7-0 vote.

During the 2006-2007 budget process, Council again expressed a desire to have staff review alternative water rate options.

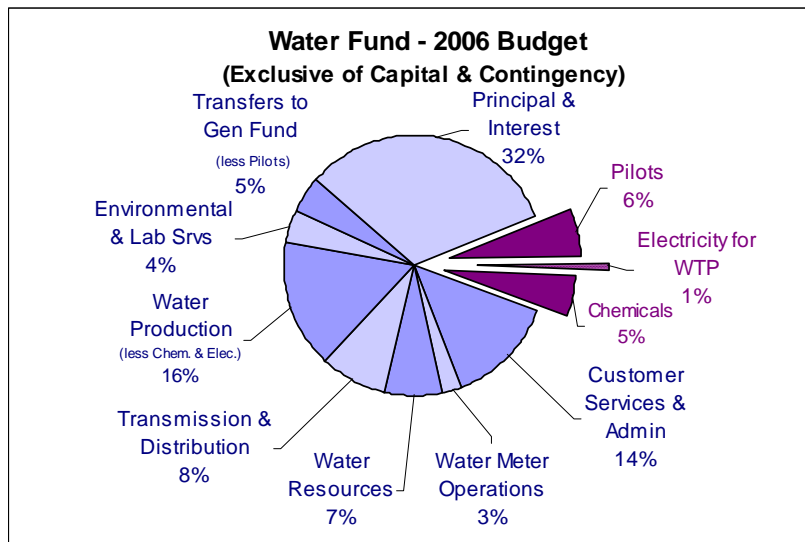
#### **Rate Design Objectives:**

The primary business objectives in structuring rates include revenue stability to sustain utility operations, rate stability to facilitate predictability in consumption patterns, conservation of a precious commodity and ease of administration. The objectives for the customer include minimizing rate changes for predictability of costs, fair and equitable rates, and simplicity/understandability.

**Costs of Operation (Fixed and Variable):**

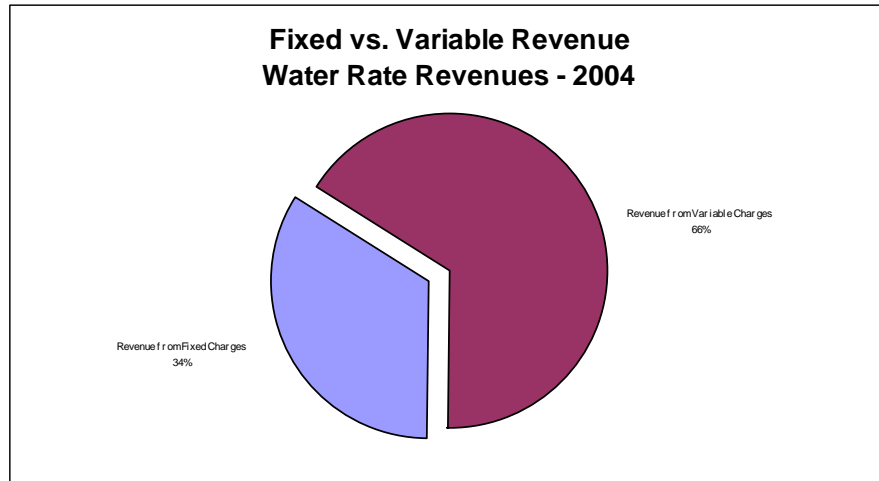
The water utility sells the service of treating and delivering water. The majority, 90%, of the costs associated with that service are fixed and do not vary with use or demand. Only 10% of the costs, electricity and chemicals for treatment and a portion of payments in lieu of taxes (PILOTS) are variable based on customer use. The following graph illustrates the components of the water fund's fixed and variable costs:

**Fixed and Variable Costs  
(by function)**



**Revenues (Fixed and Variable):**

34% of total revenues are generated through the fixed components of the rates. The variable components generate the remainder of the revenue.

**Alternative Rate Options:**

The number of rate options that can be developed is endless. Staff has developed a variety of rate options including tiered rates with different fixed charges and different increases between tiers, a uniform rate with and without fixed charges and the water budget rate.

A few possible options are presented in the following tables. Each table shows the impact on single family customers' monthly bills as their monthly use changes. The various options reveal the sensitivity of the monthly bills for low and high users in response to any proposed change.

**Option 1: 4-Tier Structure, \$12 Fixed Charge; 10% Steps**  
**Option 2: 3-Tier Structure, \$12 Fixed Charge; 20% Steps**

<b>RATE STRUCTURES:</b>	<b>Gallons Use</b>	<b>Current 4-Tier Rate*</b>	<b>Option 1 4-Tier Rate \$12 Fixed Charge 10% Steps</b>	<b>Option 2 3-Tier Rate \$12 Fixed Charge 20% Steps</b>
<b>Current 4-Tier Rate</b>	0	\$ 12.72	\$ 12.72	\$ 12.72
*Fixed/mo \$ 12.72	1,000	\$ 14.50	\$ 14.63	\$ 14.54
0-7000 \$ 1.781/kgal	2,000	\$ 16.28	\$ 16.54	\$ 16.36
7001-13000 \$ 2.141/kgal	3,000	\$ 18.06	\$ 18.45	\$ 18.17
13001-20000 \$ 2.565/kgal	4,000	\$ 19.84	\$ 20.36	\$ 19.99
> 20,000 \$ 3.074/kgal	5,000	\$ 21.63	\$ 22.27	\$ 21.81
<b>Proposed 4-Tier Rate – Option 1</b>	6,000	\$ 23.41	\$ 24.18	\$ 23.63
(Fixed Charge \$ 12.00)	<b>7,000</b>	<b>\$ 25.19</b>	<b>\$ 26.09</b>	<b>\$ 25.45</b>
(4-Tier Step % 10%)	10,000	\$ 31.61	\$ 32.39	\$ 31.99
*Fixed/mo \$ 12.72/kgal	<b>13,000</b>	<b>\$ 38.03</b>	<b>\$ 38.70</b>	<b>\$ 38.54</b>
0-7000 \$ 1.910/kgal	16,000	\$ 45.73	\$ 45.63	\$ 46.39
7001-13000 \$ 2.101/kgal	<b>20,000</b>	<b>\$ 55.99</b>	<b>\$ 54.87</b>	<b>\$ 56.86</b>
13001-20000 \$ 2.311/kgal	25,000	\$ 71.36	\$ 67.58	\$ 69.95
> 20,000 \$ 2.542/kgal	30,000	\$ 86.73	\$ 80.29	\$ 83.04
<b>Proposed 3-Tier Rate – Option 2</b>	35,000	\$ 102.10	\$ 93.00	\$ 96.13
(Fixed Charge \$ 12.00)	40,000	\$ 117.47	\$ 105.71	\$ 109.22
(3-Tier Step % 20%)	50,000	\$ 148.21	\$ 131.13	\$ 135.40
*Fixed/mo \$ 12.72/kgal	75,000	\$ 225.06	\$ 194.68	\$ 200.85
0-7000 \$ 1.818/kgal	100,000	\$ 301.91	\$ 258.23	\$ 266.30
7001-13000 \$ 2.182/kgal	150,000	\$ 455.61	\$ 385.33	\$ 397.20
> 13,000 \$ 2.618/kgal	200,000	\$ 609.31	\$ 512.43	\$ 528.10

\* includes PILOTS

Comments (Options 1 & 2)

- Provides moderate relief to high users
- Little change for lower users
- Moderate conservation price signals
- Very similar to existing 4-tier rate
- Easy to administer and understand

**Option 3: 4-Tier Structure, \$6 Fixed Charge; 10% Steps**  
**Option 4: 4-Tier Structure, \$6 Fixed Charge; 20% Steps**

RATE STRUCTURES:		Gallons Use	Current 4-Tier Rate*	Option 3 \$6.00 Fixed Charge 10% Steps*	Option 4 \$6.00 Fixed Charge 20% Steps*
<b>Current 4-Tier Rate</b>		0	\$ 12.72	\$ 6.36	\$ 6.36
*Fixed/mo	\$ 12.72	1,000	\$ 14.50	\$ 8.95	\$ 8.77
0-7000	\$ 1.781/kgal	2,000	\$ 16.28	\$ 11.53	\$ 11.17
7001-13000	\$ 2.141/kgal	3,000	\$ 18.06	\$ 14.12	\$ 13.58
13001-20000	\$ 2.565/kgal	4,000	\$ 19.84	\$ 16.70	\$ 15.99
> 20,000	\$ 3.074/kgal	5,000	\$ 21.63	\$ 19.29	\$ 18.40
<b>Proposed Option 3</b>		6,000	\$ 23.41	\$ 21.87	\$ 20.80
Fixed \$	\$ 6.00	<b>7,000</b>	<b>\$ 25.19</b>	<b>\$ 24.46</b>	<b>\$ 23.21</b>
Step %	10%	10,000	\$ 31.61	\$ 32.99	\$ 31.87
*Fixed/mo =	\$ 6.36/kgal	<b>13,000</b>	<b>\$ 38.03</b>	<b>\$ 41.52</b>	<b>\$ 40.54</b>
0-7000	\$ 2.585/kgal	16,000	\$ 45.73	\$ 50.90	\$ 50.94
7001-13000	\$ 2.844/kgal	<b>20,000</b>	<b>\$ 55.99</b>	<b>\$ 63.42</b>	<b>\$ 64.80</b>
13001-20000	\$ 3.128/kgal	25,000	\$ 71.36	\$ 80.62	\$ 85.59
> 20,000	\$ 3.441/kgal	30,000	\$ 86.73	\$ 97.83	\$ 106.39
<b>Proposed Option 4</b>		35,000	\$ 102.10	\$ 115.03	\$ 127.18
Fixed \$	\$ 6.00	40,000	\$ 117.47	\$ 132.24	\$ 147.98
Step %	20%	50,000	\$ 148.21	\$ 166.65	\$ 189.57
*Fixed/mo =	\$ 6.36/kgal	75,000	\$ 225.06	\$ 252.67	\$ 293.54
0-7000	\$ 2.407/kgal	100,000	\$ 301.91	\$ 338.70	\$ 397.52
7001-13000	\$ 2.888/kgal	150,000	\$ 455.61	\$ 510.75	\$ 605.47
13001-20000	\$ 3.466/kgal	200,000	\$ 609.31	\$ 682.80	\$ 813.42
> 20,000	\$ 4.159/kgal				

\* includes PILOTS

Comments

- Low users see reduced bills
- Easy to administer and understand
- Moderate price increases to high users with Option 3
- Stronger price increases to high users with Option 4
- Could be considered unfair to large lot owners
- Higher degree of revenue instability due to lower fixed charge
- Provides no relief to medium to large users (greater than 10,000 gallons)

As the tables show, tiered rates can be applied in a variety of ways. Each variation brings with it a different impact on revenue stability for the utility and bears a different conservation price signal to customers.

**Option 5: \$12 Fixed Charge, Uniform Rate**  
**Option 6: \$6 Fixed Charge, Uniform Rate**  
**Option 7: \$0 Fixed Charge, Uniform Rate**

		Gallons Use	Current 4-Tier Rate*	Option 5 Uniform Rate/ \$12.00 Fixed Charge*	Option 6 Uniform Rate/ \$6.00 Fixed Charge*	Option 7 Uniform Rate/ \$0.00 Fixed Charge*
<b>Current 4-Tier Rate</b>		0	\$ 12.72	\$ 12.72	\$ 6.36	\$ -
*Fixed/mo	\$ 12.72	1,000	\$ 14.50	\$ 14.77	\$ 9.13	\$ 3.49
0-7000	\$ 1.781/kgal	2,000	\$ 16.28	\$ 16.81	\$ 11.90	\$ 6.99
7001-13000	\$ 2.141/kgal	3,000	\$ 18.06	\$ 18.86	\$ 14.67	\$ 10.48
13001-20000	\$ 2.565/kgal	4,000	\$ 19.84	\$ 20.91	\$ 17.44	\$ 13.98
> 20,000	\$ 3.074/kgal	5,000	\$ 21.63	\$ 22.96	\$ 20.21	\$ 17.47
Step %	0%	6,000	\$ 23.41	\$ 25.00	\$ 22.98	\$ 20.96
<b>Uniform Rate – Option 5</b>		<b>7,000</b>	<b>\$ 25.19</b>	<b>\$ 27.05</b>	<b>\$ 25.75</b>	<b>\$ 24.46</b>
Fixed charge	\$ 12.00	10,000	\$ 31.61	\$ 33.19	\$ 34.06	\$ 34.94
*Fixed/mo =	\$ 12.72	<b>13,000</b>	<b>\$ 38.03</b>	<b>\$ 39.33</b>	<b>\$ 42.37</b>	<b>\$ 45.42</b>
All gallons @	\$ 2.047/kgal	16,000	\$ 45.73	\$ 45.47	\$ 50.68	\$ 55.90
<b>Uniform Rate – Option 6</b>		<b>20,000</b>	<b>\$ 55.99</b>	<b>\$ 53.66</b>	<b>\$ 61.76</b>	<b>\$ 69.88</b>
Fixed charge	\$ 6.00	25,000	\$ 71.36	\$ 63.90	\$ 75.61	\$ 87.35
*Fixed/mo =	\$ 6.36	30,000	\$ 86.73	\$ 74.13	\$ 89.46	\$ 104.82
All gallons @	\$ 2.770/kgal	35,000	\$ 102.10	\$ 84.37	\$ 103.31	\$ 122.29
<b>Uniform Rate – Option 7</b>		40,000	\$ 117.47	\$ 94.60	\$ 117.16	\$ 139.76
Fixed charge	0.00	50,000	\$ 148.21	\$ 115.07	\$ 144.86	\$ 174.70
*Fixed/mo =	\$ -	75,000	\$ 225.06	\$ 166.25	\$ 214.11	\$ 262.05
All gallons @	\$ 3.494/kgal	100,000	\$ 301.91	\$ 217.42	\$ 283.36	\$ 349.40
		150,000	\$ 455.61	\$ 319.77	\$ 421.86	\$ 524.10
		200,000	\$ 609.31	\$ 422.12	\$ 560.36	\$ 698.80

\* includes PILOTS

Comments

- Simple to administer and understand
- More revenue stability with Option 5, no significant difference with Option 6, and less with Option 7
- Option 5 has significant cost reduction for high users
- Option 6 has a slight cost reduction for use under 6,500 gallons and over 40,000 gallons
- Option 7 increases costs for all use above 8,000 gallons
- Uniform rates may not be perceived as sending strong conservation price signals

**Water Budget**

The water budget rate sets an individual water allocation for indoor and outdoor use for each customer. The indoor allotment would be based on the customer’s average winter quarter (Dec-Feb) water consumption times a factor of 1.2 to allow for monthly flow fluctuations. The outdoor allotment would be based on 65% of the lot size and a predetermined irrigation component for each month of the year. The water budget for each individual customer would vary month to month with it being larger during the summer months and smaller during the winter months. Monthly water consumption in excess of the water budget would be billed at a higher variable rate to discourage excessive water use.

The table below represents the monthly cost to customers with different lot sizes. The table assumes the customer used their maximum allotment in each given month. The table also shows the maximum annual savings compared to the current 4-tiered rate for a customer using their total indoor and outdoor allotment.

**Option 8: Water Budget Rate**

<b>Fixed Mo. Chg.</b>	<b>\$12.72</b>
<b>0 – Max Allotment/kgal</b>	<b>\$ 2.047</b>
<b>To 120% of Max Allotment/kgal</b>	<b>\$ 3.071</b>
<b>&gt; 120% of Max Allotment/kgal</b>	<b>\$ 4.094</b>

	Smaller Size Customer			Medium Size Customer			90%tile Customer (large lot)		
WQA	4,000			5,200			8,000		
Lot Size	6,700			8,600			12,000		
Month	Wtr Bgt Max Gals	Current Rate	W.B. Rate	Wtr Bgt Max Gals	Current Rate	W.B. Rate	Wtr Bgt Max Gals	Current Rate	W.B. Rate
Jan	6,157	\$ 23.69	\$ 25.32	7,982	\$ 27.29	\$ 29.06	12,031	\$ 35.96	\$ 37.35
Feb	6,157	\$ 23.69	\$ 25.32	7,982	\$ 27.29	\$ 29.06	12,031	\$ 35.96	\$ 37.35
Mar	7,515	\$ 26.29	\$ 28.10	9,725	\$ 31.02	\$ 32.63	14,462	\$ 41.78	\$ 42.32
Apr	15,116	\$ 43.46	\$ 43.66	19,482	\$ 54.66	\$ 52.60	28,077	\$ 80.82	\$ 70.19
May	15,388	\$ 44.16	\$ 44.22	19,830	\$ 55.55	\$ 53.31	28,563	\$ 82.31	\$ 71.19
Jun	18,917	\$ 53.21	\$ 51.44	24,360	\$ 69.39	\$ 62.59	34,884	\$ 101.74	\$ 84.13
Jul	22,989	\$ 65.18	\$ 59.78	29,587	\$ 85.46	\$ 73.29	42,178	\$ 124.16	\$ 99.06
Aug	19,460	\$ 54.60	\$ 52.55	25,057	\$ 71.53	\$ 64.01	35,857	\$ 104.73	\$ 86.12
Sep	14,573	\$ 42.07	\$ 42.55	18,785	\$ 52.87	\$ 51.17	27,104	\$ 77.83	\$ 68.20
Oct	12,944	\$ 37.91	\$ 39.22	16,694	\$ 47.51	\$ 46.89	24,187	\$ 68.86	\$ 62.23
Nov	7,515	\$ 26.29	\$ 28.10	9,725	\$ 31.02	\$ 32.63	14,462	\$ 41.78	\$ 42.32
Dec	6,157	\$ 23.69	\$ 25.32	7,982	\$ 27.29	\$ 29.06	12,031	\$ 35.96	\$ 37.35
<b>Totals</b>	<b>152,889</b>	<b>\$ 464.23</b>	<b>\$ 465.60</b>	<b>197,192</b>	<b>\$ 580.89</b>	<b>\$ 556.29</b>	<b>285,868</b>	<b>\$ 831.89</b>	<b>\$ 737.81</b>
<b>Max Annual Savings</b>			<b>\$ (1.38)</b>			<b>\$ 24.59</b>			<b>\$ 94.08</b>

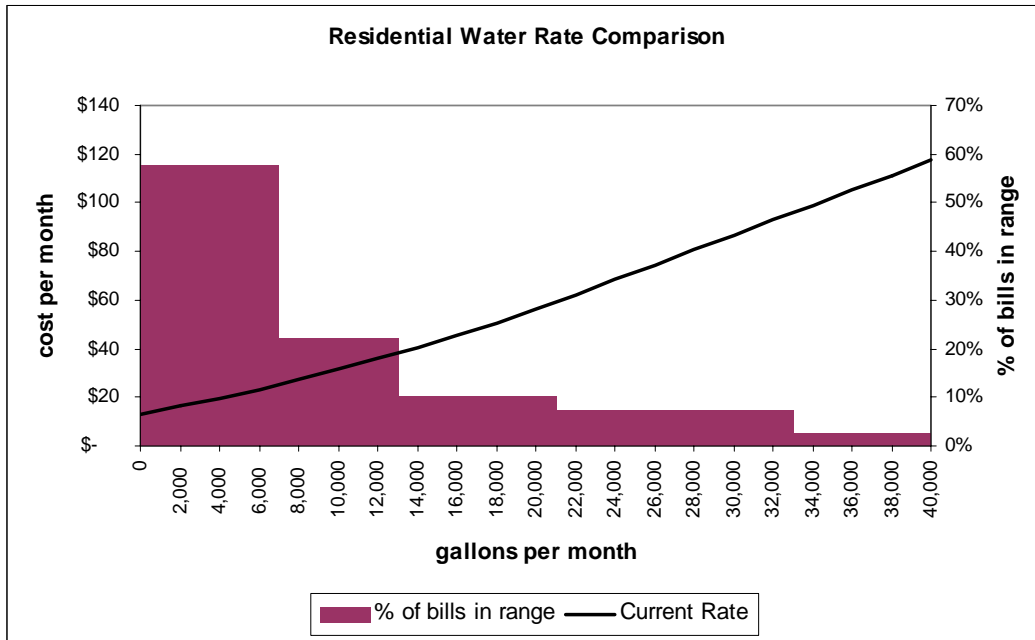
**Water Budget Rate**

Comments

- Promotes perception of fairness
- Maintains high price penalty for excessive water use
- Could be easily adapted for drought conditions by proportionally reducing outdoor water allotment
- Very complex to administer, explain and understand
- Monthly bill for low users increases slightly compared to current rate

In reviewing the various rate impacts, it should be noted that during a single year, 57% of the single-family water bills issued are for less than 7,000 gallons per month, 80% are less than 13,000 gallons per month and 90% are less than 20,000 gallons per month as indicated in the following graph:





**Water Board Recommendation:**

The Water Board’s Financial and Legislative Subcommittee met to discuss water rates on January 6, 2006. In general, the committee has recommended that the current rates remain in effect for 2006 and the foreseeable future. Its recommendation is attached.

**Staff Recommendation**

The staff recommends keeping the existing 4-tier rate structure in place or adopting Option #1. Option #1 is the present 4-tier structure with 10% steps instead of the current 20% steps. Option #1 still sends a fairly strong, long-term conservation message while recognizing that we are not facing a severe water shortage. The Option #1 4-tier structure could easily be modified back to the 20% steps in the future if a water shortage is experienced and there is a need to send a stronger conservation message.

**Next Steps:**

If there is enough interest in considering one of the alternative rate options, staff will prepare a water rate ordinance for Council approval as soon as it can be scheduled.

**ATTACHMENTS**

- Water Board Recommendation
- Council Water Rates Presentation Slides

## MEMORANDUM

Date: January 13, 2005  
To: Mayor and City Councilmembers  
From: Ted A. Borstad, Water Board Chair  
RE: Water Rates

The Fort Collins Water Board recommends that City Council retain the current fixed charge plus four-tier water rate structure for the foreseeable future (at least for two years unless currently unanticipated events or conditions strongly indicate otherwise).

The Water Board further recommends that the current rate structure be reviewed annually for the next two years by Utility staff and the Water Board to determine if any adjustments in either the fixed charge or tiered rates should be recommended to City Council.

These recommendation are based on the following factors:

1. The existing rate four-tiered rate structure adequately addresses the following key criteria for water rates:
  - 1.1. promotion of long-term efficient water use;
  - 1.2. understandable by ratepayers;
  - 1.3. compatible with the current utility billing system;
  - 1.4. providing water at lower prices for basic and essential needs;
  - 1.5. rewarding customers for lower water use with lower unit rates; and
  - 1.6. providing reasonably stable and predicable revenue to operate the water utility.
2. The current rate structure has been in place for about 18 months. The Utility staff is still gaining necessary and valuable experience with this structure, especially in estimating future revenues relative to costs and reserves. Additional time is necessary to refine future revenue estimates to cover costs and best manage reserves.
3. Though we have no direct evidence, the current rate structure is believed to be a factor in the overall reduction in water use (as measured by average daily consumption) experienced since it's inception (i.e., it sends a strong conservation price signal to ratepayers).
4. Maintaining the current rate structure should be viewed very favorably during the ongoing independent environmental review of the City's proposed Halligan project.
5. Changing the current rate structure now (and/or frequently in the future) may be counterproductive to the water utility's fiscal management. In other words, it will take several years to be able to adequately predict revenue in wet and dry years.

6. Changing the rate structure may be confusing to the ratepayers and general public.

Thank you for the opportunity to provide input on this very important issue. If we can be of further service on this subject, please let us know.

Cc: Darin Atteberry  
Michael Smith  
Terri Bryant  
DeEtta Carr

# WATER RATES

Fort Collins City Council

Work Session

January 24, 2006

# AGENDA

- ◆ Objectives of rate design
- ◆ Review the cost of treating and distributing water
- ◆ Rate options
- ◆ Rate scenarios
- ◆ Discussion

# Our Product

The water utility sells the service of treating and delivering water.

Rates recover the cost of providing the service



# Rate Structure Objectives

## Objectives for the Utility

- Revenue Stability – meet revenue requirements
- Rate Stability – predictability
- Conservation

## Objectives for the Customer

- Minimize unexpected changes
- Fairness and equity
- Simplicity

# Considerations in Rate Design

- ◆ Majority of costs are fixed – (not sensitive to amount of gallons treated)
  - Treatment Plant and Lab
  - Transmission and Distribution
  - Water Meter Operations
  - Water Resources (staff O&M)
  - Customer Service and Administration
  - Debt
  - Admin Payments to the General Fund

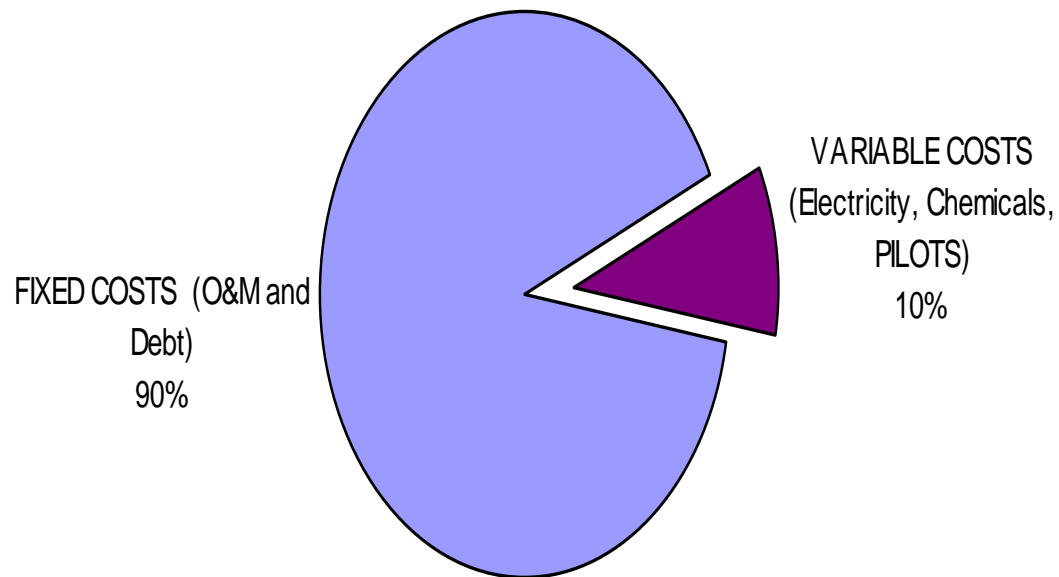


# Considerations In Rate Design

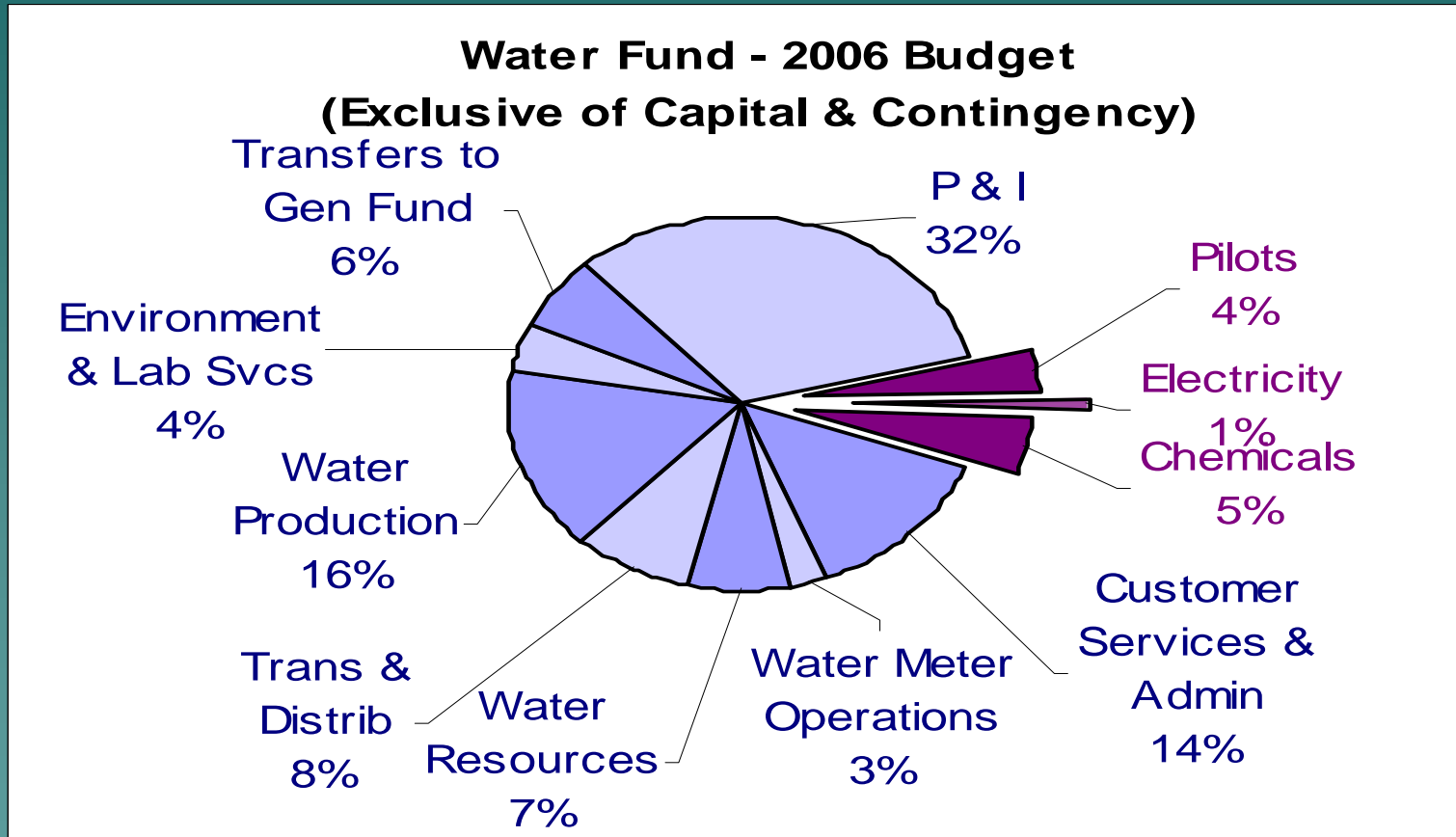
- ◆ Variable Costs are few – costs that are driven by the amount of gallons treated
  - Electricity
  - Treatment Chemicals
  - PILOTS (payment in lieu of taxes)

# Fixed vs. Variable Costs

**Water Fund - 2006 Budget**  
(Exclusive of Capital & Contingency)

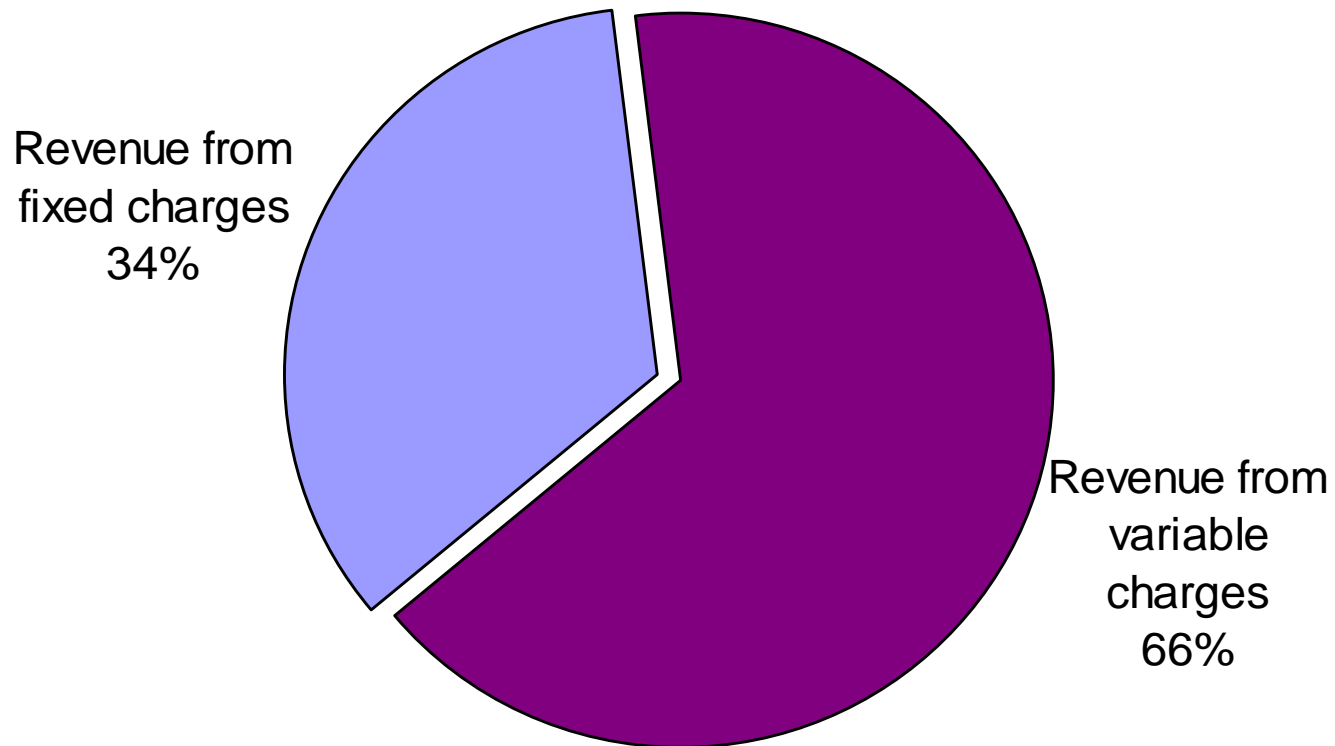


# Fixed and Variable Costs (by function)



# Fixed vs. Variable Revenue

**Water Rate Revenues - 2004**



# Current Rate History

- ◆ 1990 – 1999: Voluntary metering
  - Uniform rates with a fixed and variable component
- ◆ 2000 – present: Mandatory metering
  - 2003: Implemented 5-tier rate
  - 2004: Mid-year implementation of 4-tier rate
  - 2005: 4-tier rate

# EXISTING 4-TIER RATE

(includes 6% PILOTS)

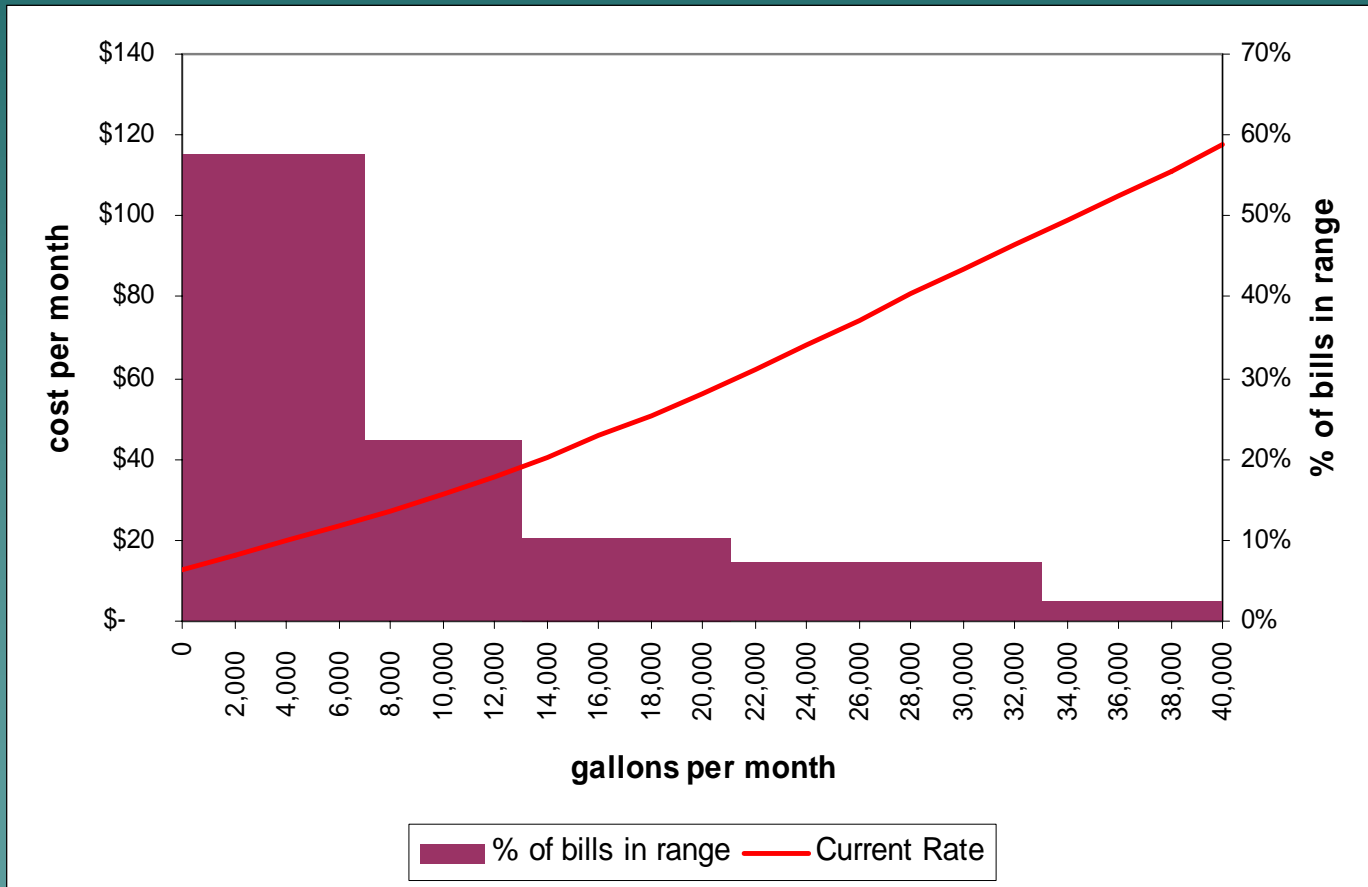
Fixed Charge	\$12.72
0–7,000 gallons	\$1.78 per 1000 gal
7,001–13,000 gallons	\$2.14 per 1000 gal
13,001–20,000 gallons	\$2.57 per 1000 gal
Greater than 20,000 gallons	\$3.07 per 1000 gal

# MONTHLY BILLING DISTRIBUTION

From	To	% of bills in Range
0	7,000	57.7%
7,001	13,000	22.2%
13,001	20,000	10.2%
20,001	33,000	7.4%
33,001	50,000	2.0%
50,001	60,000	0.3%
60,001	80,000	0.2%
80,001	100,000	0.1%
100,001	150,000	0.03%
150,001	200,000	0.004%
200,001	320,000	0.002%

# Billing Density

Range (gals)	% of bills
0-7000	58%
7001-13000	80%
13001-20000	90%
20001-33000	97%
above 33000	100%





# RATE OPTIONS

- ◆ Water budget rate
- ◆ Tiered rate options
- ◆ Uniform rate options

# Water Budget Rate

## Indoor Allotment

Gallons allotted equal to 1.2  
time winter quarter average

## Outdoor Allotment

Gallons allotted based on lot  
size and monthly irrigation  
requirement

# Water Budget Rate Outdoor Allotment Formula

- ◆ Assumes 65% of lot is landscaped
  - Lot sizes determined from Larimer County Assessor information.
- ◆ Monthly irrigation requirement based on past 6 years of daily ET (evapotranspiration) and rainfall data.

# Water Budget Rate – Monthly Factors

Meter Read Month	Step 1 Indoor Allotment Gallons	Step 2 Irrigation Requirement Inches
Jan, Feb & Dec	WQA x 1.2	0.50"
Mar & Nov	WQA x 1.2	1.00"
Apr	WQA x 1.2	3.8"
May	WQA x 1.2	3.9"
Jun	WQA x 1.2	5.2"
Jul	WQA x 1.2	6.7"
Aug	WQA x 1.2	5.4"
Sept	WQA x 1.2	3.6"
Oct	WQA x 1.2	3.0"

# Water Budget Rate – Example

WQA 6300 gal, lot area 8600 sq ft

Meter Read Month	Indoor Allotment Gallons	Outdoor Allotment Gallons	Gallons in Excess Total Allotment
Jan, Feb & Dec	7,560	1,742	>9,302
Mar & Nov	7,560	3,485	>11,045
Apr	7,560	13,242	>20,802
May	7,560	13,590	>21,150
Jun	7,560	18,120	>25,680
Jul	7,560	23,347	>30,907
Aug	7,560	18,817	>26,377
Sept	7,560	12,545	>20,105
Oct	7,560	10,454	>18,014

# Water Budget Comments

- Perception of fairness
- High penalty for waste
- Easily adaptable to drought conditions
- Very complex to administer
- Moderate increases for low water users

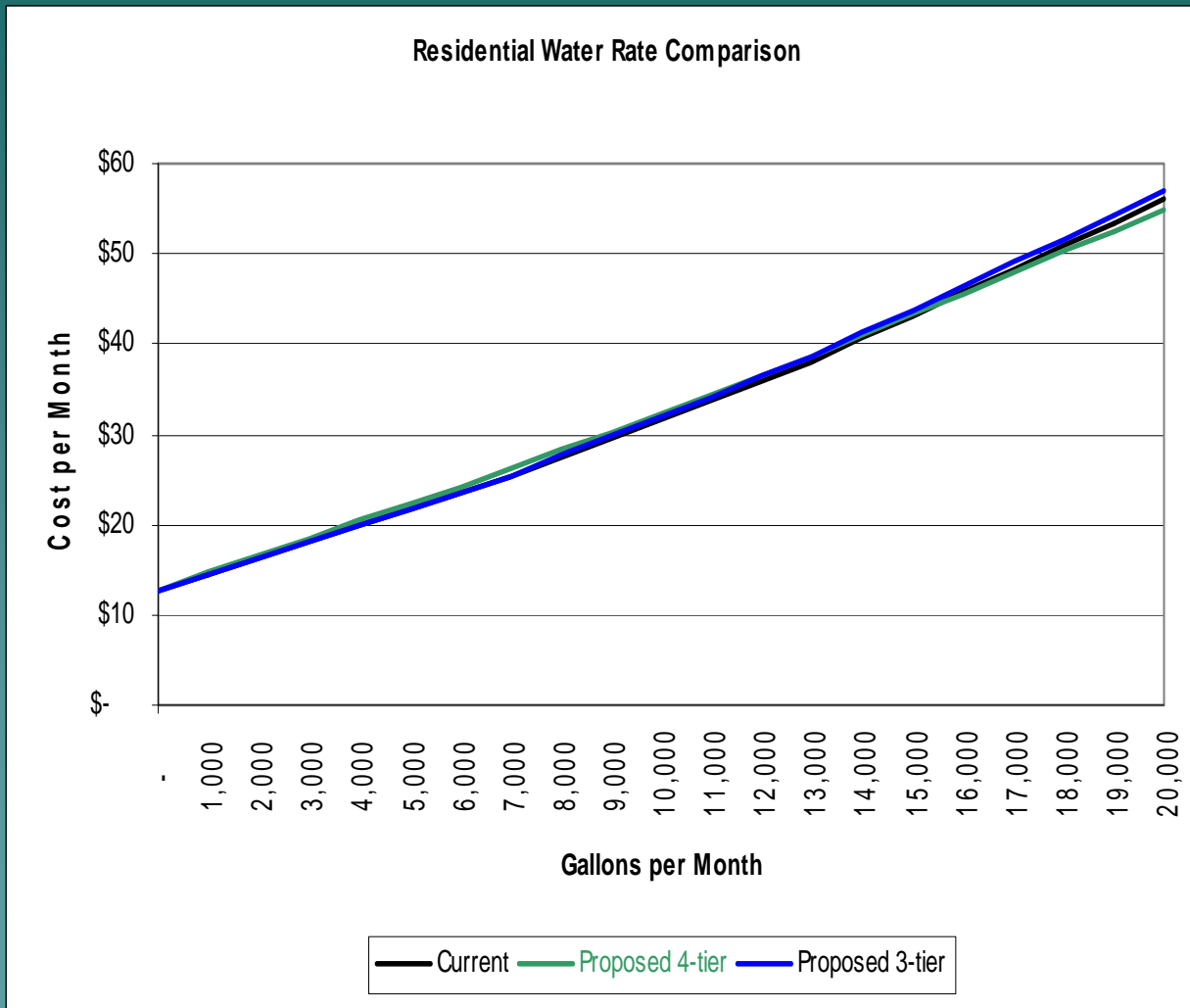
# Tiered–Rate Options

- ◆ Option 1: 4-tier; \$12 fixed, 10% steps
- ◆ Option 2: 3-tier; \$12 fixed, 20% steps
- ◆ Option 3: 4-tier; \$6 fixed, 10% steps
- ◆ Option 4: 4-tier; \$6 fixed, 20% steps

# Opt. 1: 4-Tier - \$12 Fixed – 10% Step

## Opt. 2: 3-Tier - \$12 Fixed – 20% Step

### (0 – 20,000 Gallons)



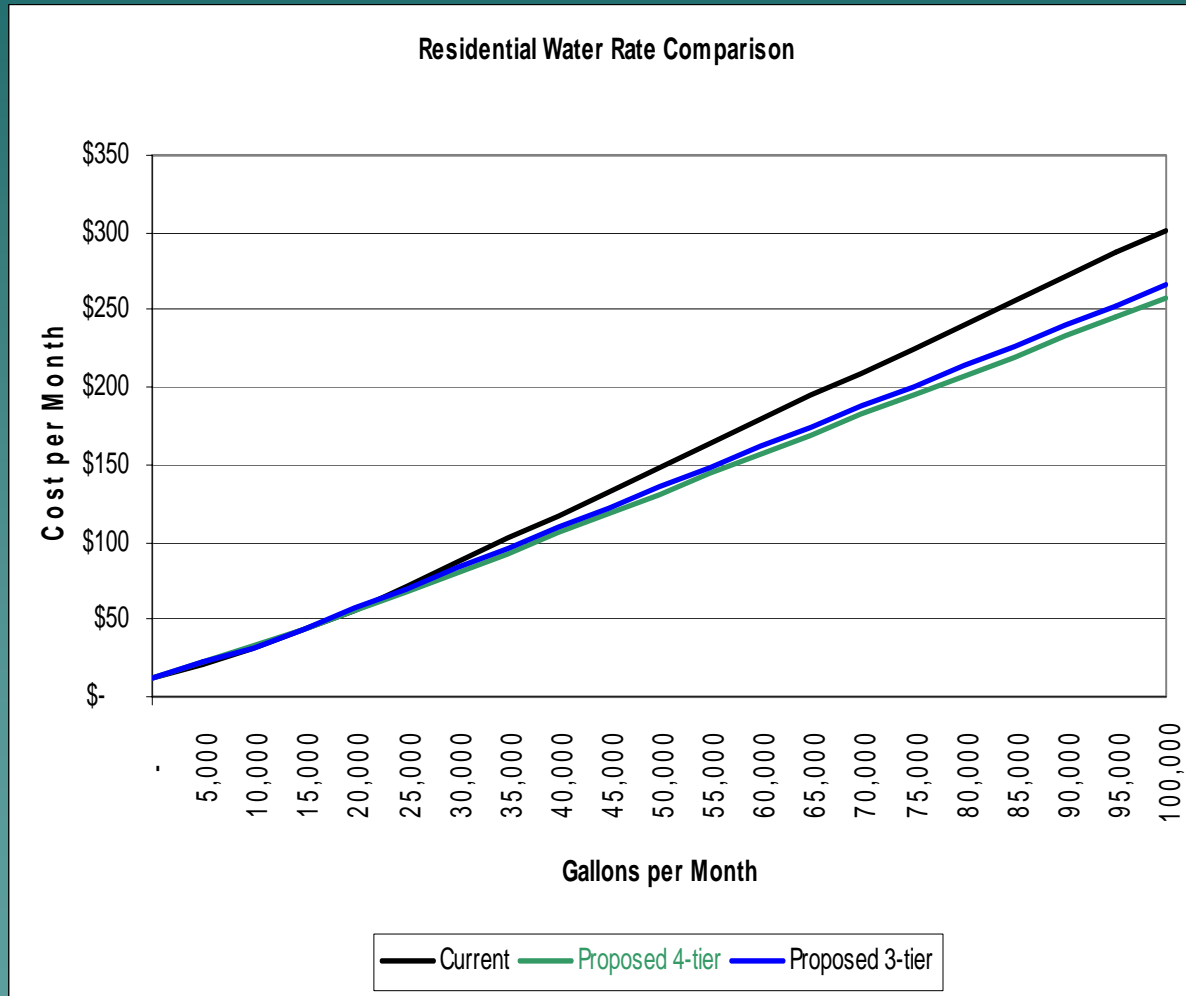
Current 4-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.781
7001-13000	\$ 2.141
13001-20000	\$ 2.565
> 20,000	\$ 3.074
Fixed \$	\$ 12.00
4-Tier Step %	10%
Option 1: 4-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.910
7001-13000	\$ 2.101
13001-20000	\$ 2.311
> 20,000	\$ 2.542
3-Tier Step %	20%
Option 2: 3-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.818
7001-13000	\$ 2.182
> 13,000	\$ 2.618



# Opt. 1: 4-Tier - \$12 Fixed – 10% Step

## Opt. 2: 3-Tier - \$12 Fixed – 20% Step

### (0 – 100,000 Gallons)



Current 4-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.781
7001-13000	\$ 2.141
13001-20000	\$ 2.565
> 20,000	\$ 3.074
Fixed \$	\$ 12.00
4-Tier Step %	10%
Option 1: 4-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.910
7001-13000	\$ 2.101
13001-20000	\$ 2.311
> 20,000	\$ 2.542
3-Tier Step %	20%
Option 2: 3-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.818
7001-13000	\$ 2.182
> 13,000	\$ 2.618

# Opt. 3: 4-Tier, \$6.00 Fixed – 10% Step

# Opt. 4: 4-Tier, \$6.00 Fixed – 20% Step

## (0-20,000 gallons)

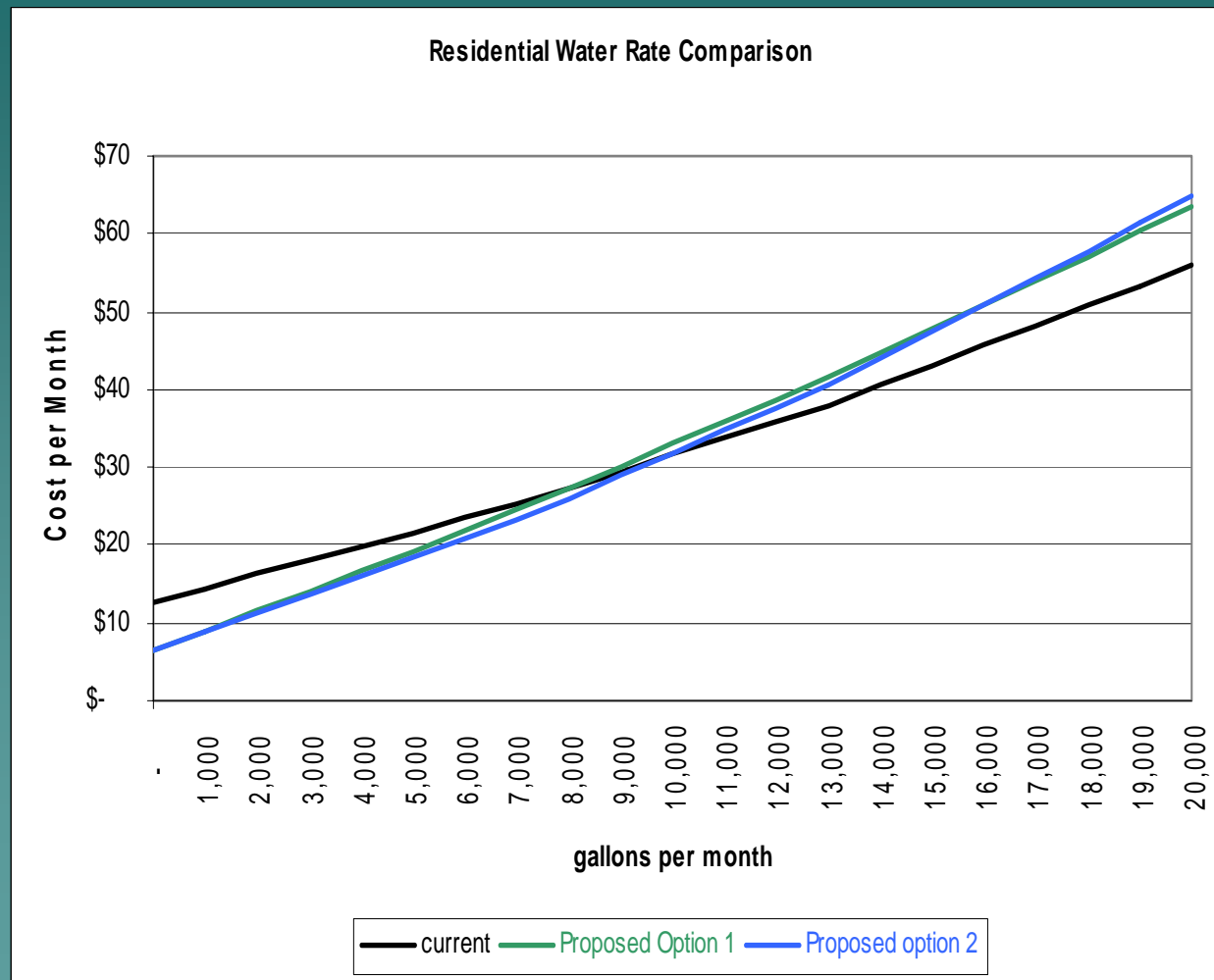
Current 4-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.781
7001-13000	\$ 2.141
13001-20000	\$ 2.565
above 20000	\$ 3.074

Proposed Option 3	
Fixed \$	\$ 6.00
Step %	10%
Fixed/mo	\$ 6.36
0-7000	\$ 2.585
7001-13000	\$ 2.844
13001-20000	\$ 3.128
above 20000	\$ 3.441

Proposed option 4	
Fixed \$	\$ 6.00
Step %	20%
Fixed/mo	\$ 6.36
0-7000	\$ 2.407
7001-13000	\$ 2.888
13001-20000	\$ 3.466
above 20000	\$ 4.159

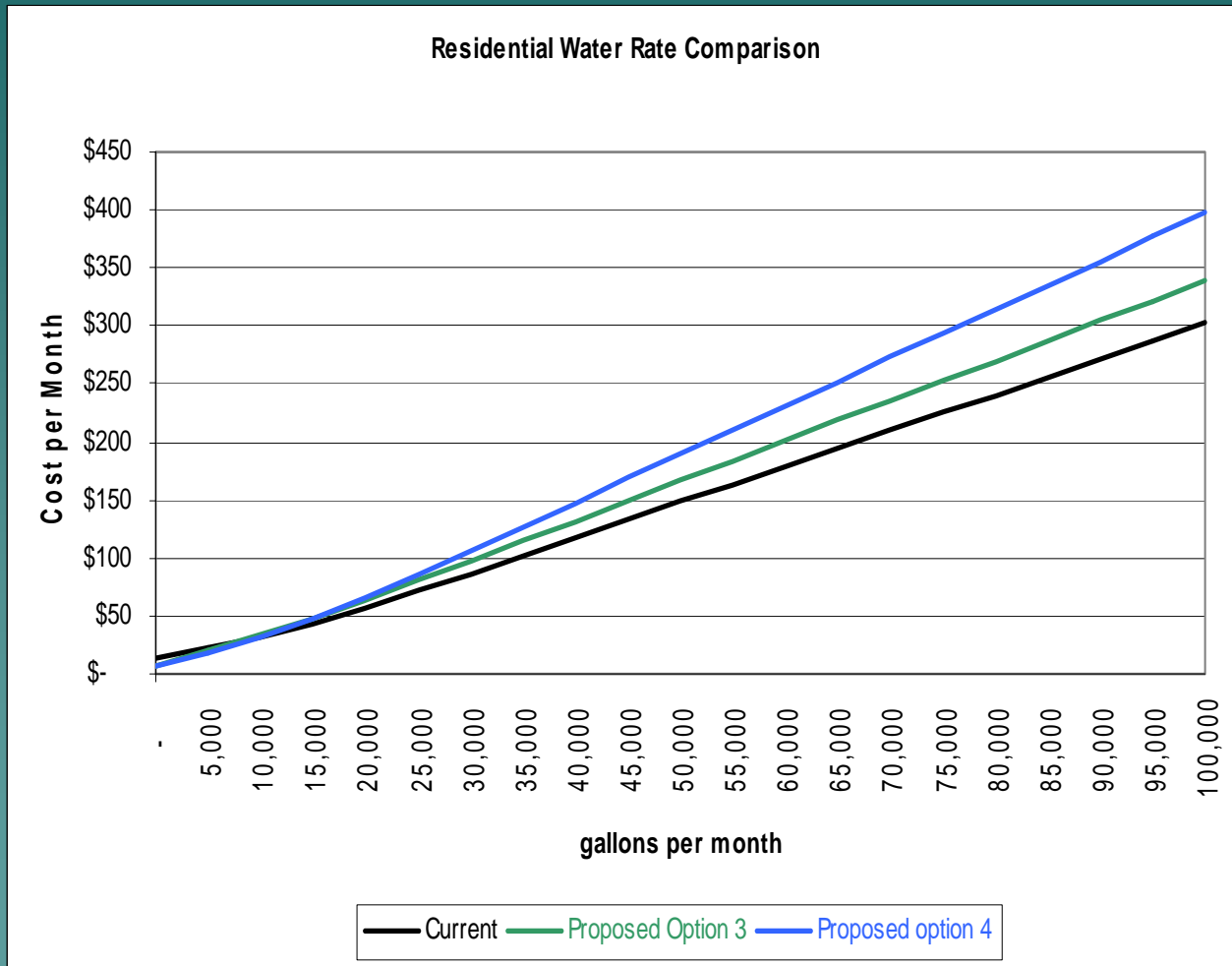


# Opt. 3: 4-Tier, \$6.00 Fixed – 10% Step

# Opt. 4: 4-Tier, \$6.00 Fixed – 20% Step

## (0-100,000 gallons)

Current 4-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.781
7001-13000	\$ 2.141
13001-20000	\$ 2.565
above 20000	\$ 3.074
Proposed Option 3	
Fixed \$	\$ 6.00
Step %	10%
Fixed/mo	\$ 6.36
0-7000	\$ 2.585
7001-13000	\$ 2.844
13001-20000	\$ 3.128
above 20000	\$ 3.441
Proposed Option 4	
Fixed \$	\$ 6.00
Step %	20%
Fixed/mo	\$ 6.36
0-7000	\$ 2.407
7001-13000	\$ 2.888
13001-20000	\$ 3.466
above 20000	\$ 4.159



# Tiered Rates Comments

- Strong pricing signals for conservation
- Provide flexibility
- Easy to administer and understand

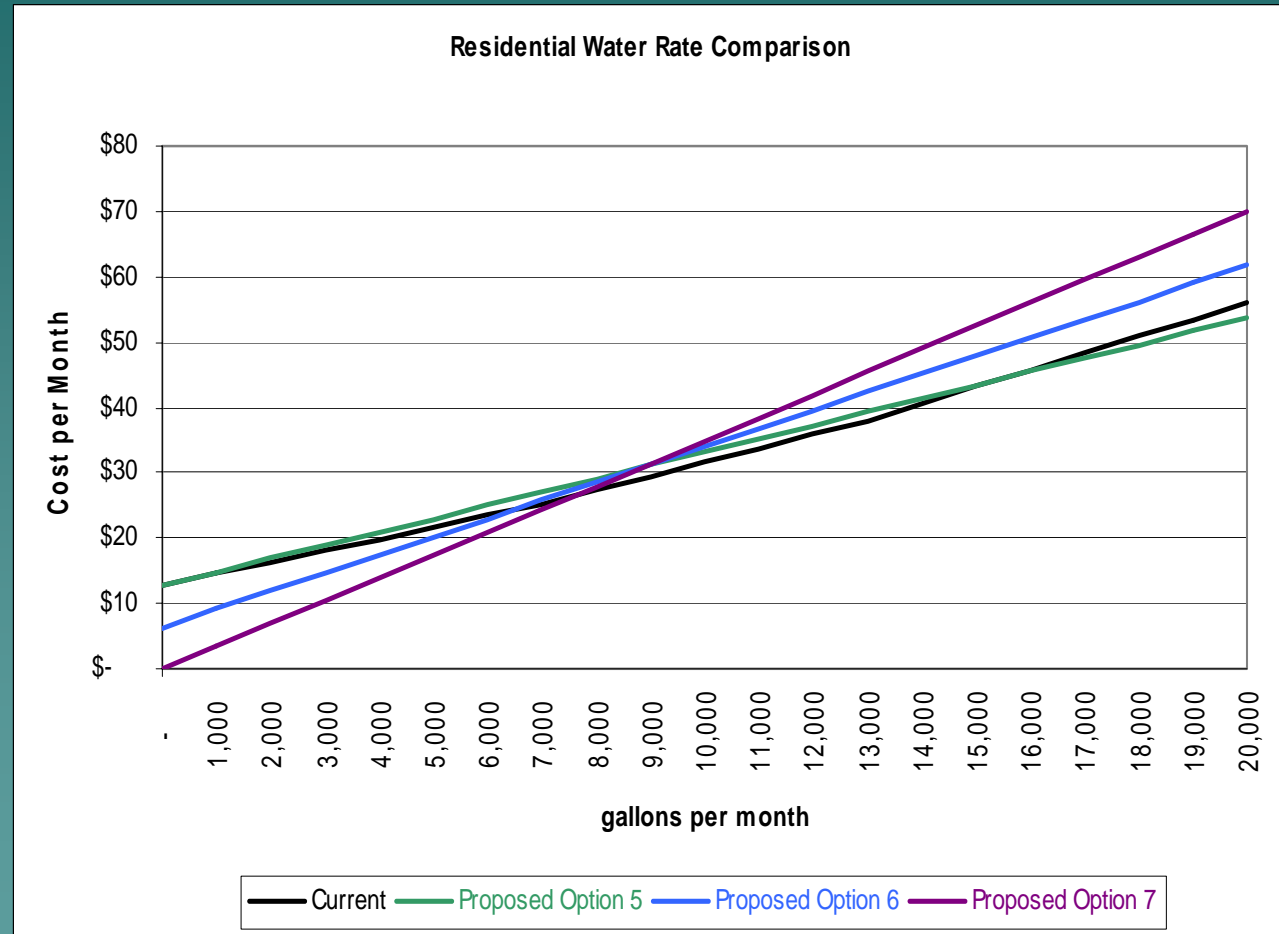
# Uniform Rate Options

## ◆ Uniform Rate

- Option 5: \$12 Fixed Charge
- Option 6: \$ 6 Fixed Charge
- Option 7: \$ 0 Fixed Charge

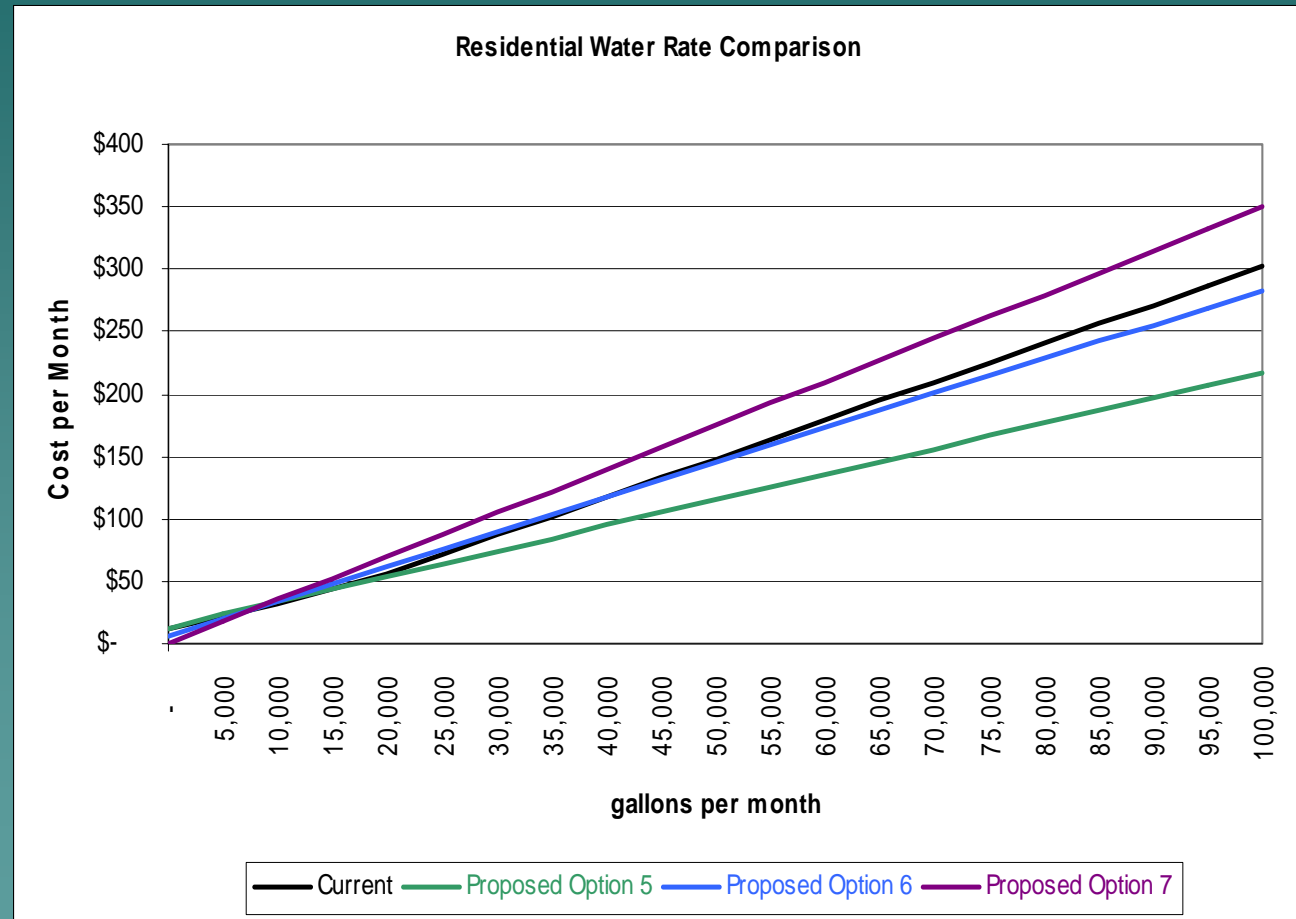
# Uniform Rate: \$12, \$6, \$0 Fixed Charges (0 – 20,000 gallons)

Current 4-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.781
7001-13000	\$ 2.141
13001-20000	\$ 2.565
above 20000	\$ 3.074
Step %	0%
Proposed Option 5	
Fixed \$	\$ 12.00
Fixed/mo	\$ 12.72
All gallons @	\$ 2.047
Proposed Option 6	
Fixed \$	\$ 6.00
Fixed/mo	\$ 6.36
All gallons @	\$ 2.770
Proposed Option 7	
Fixed \$	0.00
Fixed/mo	\$ -
All gallons @	\$ 3.494



# Uniform Rate: \$12, \$6, \$0 Fixed Charges (0 – 100,000 gallons)

Current 4-Tier Rate	
Fixed/mo	\$ 12.72
0-7000	\$ 1.781
7001-13000	\$ 2.141
13001-20000	\$ 2.565
above 20000	\$ 3.074
Step %	0%
Proposed Option 5	
Fixed \$	\$ 12.00
Fixed/mo	\$ 12.72
All gallons @	\$ 2.047
Proposed Option 6	
Fixed \$	\$ 6.00
Fixed/mo	\$ 6.36
All gallons @	\$ 2.770
Proposed Option 7	
Fixed \$	0.00
Fixed/mo	\$ -
All gallons @	\$ 3.494



# Uniform Rate Comments

- ◆ Simple to administer and understand
- ◆ Less revenue stability with lower fixed charge
- ◆ Lower fixed charge increases volume charge
- ◆ May not be perceived as sending strong conservation price signals



# Staff Recommendation

Keep current 4-tier rate structure

Or

Adopt Option 1: 4-tier rate with 10%  
steps

# Questions for Council

- ◆ Is there a compelling need to change the existing rate structure?
- ◆ If rates change, what outcome would Council like to achieve?
- ◆ Are there other rate structures staff should present?
- ◆ Any additional information needed?

