

## **Sewer and Water Advisory Board Water Rates**

Recommendation 04-2005

### Considerations:

- The existing block structure does not differentiate between user classes. It contains six declining blocks such that as the user utilizes more water the unit price decreases. Declining Block structures are appropriate to encourage economic development.
- A Lifeline rate or Inclining Block structure is an appropriate tool to encourage residential conservation and create more affordable residential rates.
- Suburban Master Meter Contracts serve a blend of residential, commercial and industrial users.
- Suburban Users should share in 100% of the capital and O&M costs associated with source of supply, treatment plants, and transmission (i.e. lines greater than 10" in diameter).
- Suburban Users should not be allocated any share of capital or O&M costs associated with the distribution system.
- Consecutive Water Systems purchase bulk water and distribute it to their own customers. Many of these are apartment complexes and home owner associations.
- Consecutive Water Systems are responsible for 100% of the capital and O&M costs associated with source of supply, treatment plants, transmission, and distribution to their meter.
- Consecutive Water Systems are responsible for 100% of the capital and O&M costs associated with their own distribution system.
- Rates should be predictable and not volatile.

### Recommendation:

A rate change in water commodity is required to support the Water Utility Enterprise. The following rates are recommended:

- Suburban Master Meter rates should be assessed at the strict cost of service, which results in a rate of \$1.504 per ccf, an increase of 4.5%.
- Consecutive Water Systems should be assessed the strict cost of service, which results in a rate of \$1.41 per ccf.
- Residential customers should be divided into two inclining residential blocks. The blocks should be established such that essential water usage (as determined by the first 15 ccf per quarter) receive a lower rate. The second block should contain all remaining residential customers. All customers will receive approximately a 1.9 percent reduction in the cost of

service allocation while consuming volumes within the first block or \$1.41 per ccf. All remaining consumption shall be charged approximately 9.3% above the cost of service allocation or \$1.564 per ccf.

- To avoid rate volatility the existing declining block structure should be retained for use by commercial and industrial customers. All customers in these blocks will receive an across the board rate increase of approximately 15 percent, depending on the amount of water usage. This structure maintains existing cost of service modifications made in prior rate models.

A rate change in the bill or customer service charge is required to support the Water Utility Enterprise. The following rates are recommended:

Meter Size	Rate
5/8"	\$3.94
3/4"	\$4.03
1"	\$4.24
2"	\$6.13
3"	\$13.10
4"	\$16.53
6"	\$25.73